



達利食品集團有限公司

DALI FOODS GROUP COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 3799



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GLOBAL OFFERING

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch

Morgan Stanley

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.



Dali Foods Group Company Limited **達利食品集團有限公司**

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 1,694,117,500 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	: 169,412,000 Shares (subject to reallocation)
Number of International Offer Shares	: 1,524,705,500 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	: HK\$6.15 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 3799

Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch

Morgan Stanley

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be determined by agreement among the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and our Company on or around Saturday, November 14, 2015 and, in any event, not later than Thursday, November 19, 2015. The Offer Price will be not more than HK\$6.15 per Share and is currently expected to be not less than HK\$5.00 per Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$6.15 per Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$6.15 per Share.

If, for any reason, the Offer Price is not agreed by Thursday, November 19, 2015 among the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$5.00 to HK\$6.15) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our company at <http://www.dali-group.com>. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the indicative Offer Price range is so reduced, such applications can subsequently be withdrawn.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers for, the Hong Kong Offer Shares, are subject to termination by the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

November 10, 2015

EXPECTED TIMETABLE

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, November 13, 2015
Application lists open ⁽³⁾	11:45 a.m. on Friday, November 13, 2015
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, November 13, 2015
Latest time for completing payment of White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, November 13, 2015
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, November 13, 2015
Application lists close ⁽³⁾	12:00 noon on Friday, November 13, 2015
Expected Price Determination Date ⁽⁵⁾	Saturday, November 14, 2015

- (1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before Thursday, November 19, 2015
- (2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares—11. Publication of Results" in this prospectus Thursday, November 19, 2015
- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **http://www.dali-group.com** from Thursday, November 19, 2015

EXPECTED TIMETABLE

Results of allocations in the Hong Kong Public Offering

will be available at **www.iporesults.com.hk**

with a “search by ID” function from Thursday,
November 19, 2015

Dispatch/collection of Share certificates in respect of

wholly or partially successful applications pursuant to

the Hong Kong Public Offering on or before⁽⁶⁾ Thursday,
November 19, 2015

Dispatch/collection of refund cheques and White Form e-Refund payment

instructions in respect of wholly or partially successful applications

(if applicable) or wholly or partially unsuccessful applications

pursuant to the Hong Kong Public Offering on or before⁽⁷⁾ .. Thursday,
November 19, 2015

Dealings in the Shares on the Stock Exchange expected to commence on Friday,
November 20, 2015

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for lodging applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day of lodging applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above, or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 13, 2015, the application lists will not open on that day. Please see the section headed “How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus for further details.
- (4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should see the section headed “How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus for further details.
- (5) The Price Determination Date is expected to be on or about Saturday, November 14, 2015 and, in any event, not later than Thursday, November 19, 2015. If, for any reason, the Offer Price is not agreed by Thursday, November 19, 2015 among the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.
- (6) Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that the Global Offering has become unconditional in all respects, and neither of the Underwriting Agreements has been terminated in accordance with its terms, prior to 8:00 a.m. on the Listing Date, which is expected to be on or around Friday, November 20, 2015. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.
- (7) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The above expected timetable is a summary only. You should refer to the sections headed “Structure of the Global Offering” and “How to Apply for Hong Kong Offer Shares” in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by Dali Foods Group Company Limited solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors, Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS

Overview

We are a leading branded snack food and beverage company in China with a diversified multi-brand product portfolio focusing on high-growth product categories. Our ability to successfully launch new products on a continuous basis is the key to our industry-leading position. For the years ended December 31, 2012, 2013 and 2014, our sales of New Products contributed 54.6%, 25.6% and 33.5%, respectively, of our total revenue. We have six Core Product Categories of bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based dairy beverage; and energy drinks. Each of these product categories achieved retail sales value over RMB1.5 billion in the year ended December 31, 2014, and holds market-leading position in its product category, according to Frost & Sullivan.

Our history of manufacturing food and beverage can be traced back to 1989, when our predecessor Hui'an Meili Minzheng Food Factory first started manufacturing biscuits in Fujian province. We have achieved a solid track record of consistent growth in revenue and profit. From 2012 to 2014, our total revenue, gross profit and net profit grew at CAGRs of 17.4%, 49.8% and 73.1%, respectively. This significant growth was primarily due to our diversified, multi-brand product portfolios, continued introduction of higher-margin new products, and our extensive sales and distribution network covering all of the provinces and cities and most of the county-level divisions in China, which gives us a formidable penetration advantage in the traditional trade channel and enables us to promptly respond to the market, with our new products reaching points-of-sale quickly. Our net profit increased by 71.9% from RMB692.6 million in 2012 to RMB1,190.8 million in 2013, by 74.4% to RMB2,076.7 million in 2014, and by 46.6% from RMB1,034.5 million in the six months ended June 30, 2014 to RMB1,517.1 million in the same period of 2015. The growth rate of our net profit from 2012 to 2014 may not be sustained in 2015 or in the future, given our relatively large net profit in 2014 and due to factors, risks and uncertainties, including uncertainty as to our ability to continue introducing new popular products and uncertainty as to our ability to continue strengthening our penetration in China's traditional trade, modern retail and other sales channels.

Beginning from late 2014, we adjusted our pricing and marketing strategies to conduct more marketing campaigns to strengthen our sales channels and increased the average selling prices at which we sell our products to our distributors. With the implementation of these new strategies, our gross profit margin may increase in a given period due to the higher overall prices at which we sell our products, but that may not impact our net profit margin in that period.

SUMMARY

The following table sets forth our revenue by segment and product category for the periods indicated:

Revenue	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB	% of	RMB	% of	RMB	% of	RMB	% of	RMB	% of
	(million)	total revenue	(million)	total revenue	(million)	total revenue	(million)	total revenue (unaudited)	(million)	total revenue
Food										
Bread, Cakes and Pastries	4,216	39.0	5,000	39.0	5,726	38.4	2,748	37.2	3,003	35.3
Chips, Fries and Others	1,115	10.3	1,267	9.9	1,512	10.2	674	9.1	931	11.0
Biscuits	988	9.1	1,148	8.9	1,257	8.4	559	7.6	700	8.2
Segment Total .	<u>6,319</u>	<u>58.4</u>	<u>7,415</u>	<u>57.8</u>	<u>8,495</u>	<u>57.0</u>	<u>3,981</u>	<u>53.9</u>	<u>4,634</u>	<u>54.5</u>
Beverage										
Herbal Tea.....	2,046	18.9	2,119	16.5	2,372	15.9	1,349	18.3	1,448	17.0
Plant-based and Milk Beverages.....	1,240	11.5	1,691	13.2	1,816	12.2	857	11.6	1,032	12.1
Energy Drinks	—	—	394	3.1	794	5.3	490	6.6	637	7.5
Other Beverages ..	<u>1,207</u>	<u>11.2</u>	<u>1,208</u>	<u>9.4</u>	<u>1,417</u>	<u>9.6</u>	<u>711</u>	<u>9.6</u>	<u>754</u>	<u>8.9</u>
Segment Total .	<u>4,493</u>	<u>41.6</u>	<u>5,412</u>	<u>42.2</u>	<u>6,399</u>	<u>43.0</u>	<u>3,407</u>	<u>46.1</u>	<u>3,871</u>	<u>45.5</u>
Total	<u><u>10,812</u></u>	<u><u>100.0</u></u>	<u><u>12,827</u></u>	<u><u>100.0</u></u>	<u><u>14,894</u></u>	<u><u>100.0</u></u>	<u><u>7,388</u></u>	<u><u>100.0</u></u>	<u><u>8,504</u></u>	<u><u>100.0</u></u>

The following table sets forth our gross profit, gross profit margin, net profit and net profit margin for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB	Margin	RMB	Margin	RMB	Margin	RMB	Margin	RMB	Margin
	(million)	%	(million)	%	(million)	%	(million)	% (unaudited)	(million)	%
Gross profit										
Food products.....	1,041	16.5	1,478	19.9	2,258	26.6	969	24.3	1,350	29.1
Beverage products	<u>742</u>	<u>16.5</u>	<u>1,110</u>	<u>20.5</u>	<u>1,741</u>	<u>27.2</u>	<u>965</u>	<u>28.3</u>	<u>1,494</u>	<u>38.6</u>
Total.....	1,783	16.5	2,588	20.2	3,999	26.8	1,934	26.2	2,844	33.4
Net profit.....	693	6.4	1,191	9.3	2,077	13.9	1,035	14.0	1,517	17.8

SUMMARY

The following table sets forth our sales volume by segment for the periods indicated:

Sales Volume	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	Tons	Tons	Tons	Tons	Tons
Food products	408,201	483,518	508,629	240,718	264,295
Beverage products.....	1,358,254	1,510,692	1,634,404	885,743	984,388
Total	<u>1,766,455</u>	<u>1,994,209</u>	<u>2,143,033</u>	<u>1,126,461</u>	<u>1,248,683</u>

The following table sets forth our average selling price by segment for the periods indicated:













Average Selling Price	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB/Ton	RMB/Ton	RMB/Ton	RMB/Ton	RMB/Ton
Food products	15,480	15,335	16,703	16,538	17,532
Beverage products.....	3,308	3,583	3,915	3,847	3,932
Total	<u>6,121</u>	<u>6,432</u>	<u>6,950</u>	<u>6,559</u>	<u>6,811</u>

OUR BRANDS AND PRODUCTS

We operate our business through two main segments: food products and beverage products. We have a diversified multi-brand product portfolio and offer products in seven food and beverage categories: bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based and milk beverages; energy drinks; and other beverage products. We market our products under five core brands: Daliyuan, Copico, Haochidian, Heqizheng and Hi-Tiger. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, sales of our food products accounted for 58.4%, 57.8%, 57.0% and 54.5% of our total revenue, respectively, while sales of our beverage products accounted for 41.6%, 42.2%, 43.0% and 45.5% of our total revenue, respectively. Our diversified brand and product portfolios provide us with multiple growth drivers across various attractive product categories, as demonstrated by our revenue growth CAGR of 17.4% from 2012 to 2014.

SUMMARY

Our six Core Product Categories include the following:

Product Category	Brand Logo	Sample Product Photos	Brands and Key Products	Market Share Ranking ⁽¹⁾	Our Market Share ⁽¹⁾ (%)	Year Launched ⁽²⁾	% of Our Sales in the Year Ended December 31, 2014 (%)	Expected Market Size in the Year Ending December 31, 2019 ⁽³⁾ (RMB, billion)	Expected CAGR of Market Size from 2014 to 2019 ⁽³⁾ (%)
Food									
Bread, Cakes and Pastries			Daliyuan (custard pies, soft French bread, Swiss rolls, cakes, croissants)	#1	21.9	2002	38.4	102.4	13.1
Chips, Fries and Others			Copico (potato chips, French fries, potato bubbles)	#3	15.1	2003	10.2	42.0	15.7
Biscuits.....			Haochidian (crispy biscuits, Danish butter cookies)	#2	4.9	2004	8.4	87.7	10.5
Beverage									
Herbal Tea			Heqizheng (ready-to-drink herbal tea)	#3	9.9	2007	15.9	104.3	15.4
Plant-based Dairy Beverage			Daliyuan (peanut milk)	#2	16.3	2010	9.6	45.9	18.1
Energy Drinks			Hi-Tiger (energy drink)	#3	5.3	2013	5.3	101.3	21.8
Total							<u>87.9</u>	<u>483.4</u>	<u>15.3</u>

Note:

- (1) Our market share in terms of retail sales value for the year ended December 31, 2014 in each respective product category's market, according to Frost & Sullivan.
- (2) Refers to the year in which the first product in the respective brand or product category was launched.
- (3) According to Frost & Sullivan.

Please see the sections headed “Industry Overview—Competitive Landscape” and “Business—Our Brands and Products” starting on page 77 and page 134 of this prospectus, respectively, for further details.

SALES AND DISTRIBUTION NETWORK

We have an extensive nationwide sales and distribution network that deeply penetrates the Chinese market from urban downtown areas of the largest cities to counties, townships and villages across all of China's provinces. Our snack food and non-alcoholic beverage products are typically sold to distributors, key accounts and e-commerce consumers in four sales channels: traditional trade

SUMMARY

channel, modern retail channel, specialty channel and e-commerce channel. In addition, our beverage products are sold through the catering channel, which includes restaurants, hotels, bars and pubs. We use distributors to market our products through the traditional trade channel, modern retail channel, specialty channel, catering channel and e-commerce channel, and we also sell our products directly to our key accounts that operate in the modern retail channel, and through e-commerce websites to consumers. Our network has particular strength in the traditional trade channel, which constituted the majority of the retail sales value of China's packaged snack food and non-alcoholic beverage market in 2014, according to Frost & Sullivan. We increasingly focus on penetrating the modern retail, catering, specialty and e-commerce channels.

We primarily sell our products through our vast network of distributors, who sell our products to sub-distributors and retailers, serving points-of-sale across China. We cooperate directly with municipal- and county-level distributors to maintain our strong bargaining power and control over our sales network. As of June 30, 2015, we had 3,951 distributors and a sales network covering all provinces and cities and most county-level divisions in China. During the Track Record Period, each of our five largest customers was a distributor.

We have also established direct partnerships with our key accounts, primarily leading national and regional hypermarket, supermarket and convenience store operators, such as, Yonghui and CR Vanguard. As of June 30, 2015, we had 34 key accounts.

The table below sets forth the breakdown of our sales by customer type for the periods indicated:

Customer type	For the year ended December 31,						CAGR	For the six months ended June 30,			
	2012		2013		2014		2012-2014	2014		2015	
	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million)	% of total revenue	%	RMB (million)	% of total revenue	RMB (million)	% of total revenue
Distributors	10,690	98.9	12,575	98.0	14,487	97.3	16.4	7,194	97.4	8,186	96.3
Key Accounts ⁽¹⁾	107	1.0	245	1.9	388	2.6	90.6	191	2.6	298	3.5
E-commerce and Others ⁽²⁾	15	0.1	7	0.1	19	0.1	10.4	3	0.0	20	0.2
Total	10,812	100.0	12,827	100.0	14,894	100.0	17.4	7,388	100.0	8,504	100.0

Note:

- (1) Primarily includes operators of hypermarkets, supermarkets and convenience stores that we sell our products directly to.
- (2) Primarily includes e-commerce. This also includes our revenue from exports of our products beginning from the second quarter of 2015.

Please see the section headed “Business—Sales and Distribution Network” starting on page 144 of this prospectus for further details.

SUMMARY

OUR PRODUCTION FACILITIES

We manufacture all of our products in-house, which allows us to quickly respond to changes in market demand and maximizes our control over product quality and food safety. We outfit our production facilities with state-of-the-art equipment, which we believe is essential to ensuring the quality of our products and the efficiency of our operations. As of the Latest Practicable Date, we had 16 strategically located production bases with 32 food- and beverage-related production facilities throughout China and over 550 highly automated and technologically advanced production lines. As of June 30, 2015, our production facilities had a total food production capacity of approximately 777,700 tons and a total beverage production capacity of approximately 3,424,300 tons. Please see the section headed “Business—Production—Our Production Facilities” starting on page 154 of this prospectus for further details.

RAW MATERIALS AND SUPPLIERS

We sourced our key raw materials, including sugar, eggs, flour, palm oil, powdered milk, mesona and peanuts, from various domestic suppliers. We also procure certain premium imported raw materials from international suppliers. We generally coordinate sourcing requirements and centralize procurement at our headquarters to leverage our scale. Our headquarters usually enters into annual supply contracts with suppliers at fixed purchase prices, subject to price adjustment by mutual agreement in the event of market volatility. All raw materials and packaging materials provided by our suppliers are required to meet our quality standards and the relevant standards set by the Chinese government. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, the cost of our raw materials represented 52.6%, 52.3%, 50.4% and 51.1% of our cost of sales, and the cost of packaging materials represented 28.6%, 28.9%, 29.2% and 28.3% of our cost of sales, respectively.

We typically work with large reputable domestic suppliers to secure the key raw materials used in our production process. Our raw materials are generally available from a number of domestic suppliers, and we normally have various sources of supply for each type of raw materials to reduce our dependency on a single supplier and packaging materials. During the Track Record Period, we did not encounter any shortages of supply of our raw materials, nor did we experience any significant problems with the quality of the raw materials and packaging materials provided by our suppliers. Please see the section headed “Business—Raw Materials, Packaging Materials and Suppliers” starting on page 171 of this prospectus for further details.

SUMMARY

OUR COMPETITIVE STRENGTHS

- One of the most diversified product portfolios with leading positions across multiple high-growth categories
- Strong product innovation, development and commercialization capability with exceptional track record
- Extensive nationwide sales and distribution network with formidable penetration advantage in traditional trade channel and tremendous development prospects in other channels
- Strategically located nationwide production facilities with standardized production and management systems
- Effective branding and targeted marketing strategies to achieve high brand recognition
- Stable and visionary management team with strong execution capability

OUR COMPETITIVE STRATEGIES

- Accelerate growth of core brands and products and continue to focus on new product launches
- Continue to enhance our presence in the modern retail channel, further consolidate our traditional trade channel and increase our sales through other distribution channels
- Expand and upgrade our manufacturing network and continue to lower costs and enhance efficiency
- Seek appropriate strategic acquisition and business cooperation opportunities and enter international markets

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 and, for comparison purposes, for the six months ended June 30, 2014. We have derived the summary from our consolidated financial information set forth in the Accountants' Report in Appendix I to this prospectus. The following summary should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in "Financial Information" in this prospectus. Our consolidated financial information was prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").

SUMMARY

Summary Consolidated Statements of Profit or Loss

The following table sets forth, for the periods indicated, our consolidated results of operations.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)	RMB ('000)
Revenue	10,812,041	12,827,020	14,894,003	7,388,120	8,504,456
Cost of sales	(9,028,671)	(10,239,151)	(10,895,178)	(5,453,671)	(5,660,847)
Gross profit	1,783,370	2,587,869	3,998,825	1,934,449	2,843,609
Other income and gains	51,580	67,189	114,093	52,921	129,867
Selling and distribution expenses	(732,388)	(845,937)	(1,097,599)	(479,663)	(908,076)
Administrative expenses	(179,948)	(223,416)	(253,791)	(129,872)	(173,994)
Profit before tax	922,614	1,585,705	2,761,528	1,377,835	1,891,406
Income tax expense	(230,026)	(394,928)	(684,812)	(343,309)	(374,345)
Profit for the year/period	<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,517,061</u>

Summary Consolidated Statements of Financial Position

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Total current assets	1,904,251	2,170,604	2,004,086	3,010,507
Total current liabilities	2,594,947	3,211,816	6,128,983	4,470,501
Net current liabilities	(690,696)	(1,041,212)	(4,124,897)	(1,459,994)
Total assets less current liabilities	3,996,781	4,238,706	816,716	3,457,055
Net assets	3,830,454	4,032,602	550,201	3,192,046
Equity attributable to owners of the parent	3,830,454	4,032,602	550,201	3,192,046

Key Financial Ratios

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Gross profit margin ⁽¹⁾	16.5%	20.2%	26.8%	26.2%	33.4%
Net profit margin ⁽²⁾	6.4%	9.3%	13.9%	14.0%	17.8%
Return on equity ⁽³⁾	19.9%	30.3%	90.6%	N/A ⁽⁴⁾	N/A ⁽⁴⁾
Return on assets ⁽⁵⁾	11.1%	17.0%	28.9%	N/A ⁽⁴⁾	N/A ⁽⁴⁾

SUMMARY

	As of December 31,			As of June 30,
	2012	2013	2014	2015
Current ratio ⁽⁶⁾	0.73	0.68	0.33	0.67
Quick ratio ⁽⁷⁾	0.27	0.33	0.15	0.51

Notes:

- (1) Equals gross profit divided by revenue and multiplied by 100%.
- (2) Equals profit for the period divided by revenue and multiplied by 100%.
- (3) Equals profit for the period divided by the average of the beginning and ending total equity for that period and multiplied by 100%.
- (4) This semi-annual number is not meaningful as it is not comparable to the annual numbers.
- (5) Equals profit for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%.
- (6) Equals current assets divided by current liabilities as at the respective financial period-end date.
- (7) Equals current assets less inventories and divided by current liabilities as at the respective financial period-end date.

OUR CONTROLLING SHAREHOLDERS AND PRE-IPO INVESTOR

Immediately after the completion of the Global Offering, Divine Foods will directly own 11,640,000,000 Shares, representing approximately 85.0% of our outstanding issued share capital if the Over-allotment Option is not exercised, or approximately 83.5% of our outstanding issued share capital if the Over-allotment Option is exercised in full. Divine Foods is held as to 50% by Divine Foods-1, as to 10% by Divine Foods-2 and as to 40% by Divine Foods-3 respectively, which in turn are legally and beneficially wholly-owned by Mr. Xu, Ms. Chen and Ms. Xu separately. The Xu's Family will exercise approximately 85% voting rights of our Company immediately after the completion of the Global Offering if the Over-allotment Option is not exercised. As a result, Divine Foods, Divine Foods-1, Divine Foods-2, Divine Foods-3 and the Xu's Family are considered as our Controlling Shareholders immediately after the Global Offering. Please see the section headed "Relationship with our Controlling Shareholders" starting on page 243 of this prospectus for further details.

Our pre-IPO investor, CDH Delicacy, will directly hold 360,000,000 Shares, representing approximately 2.63% in the total issued share capital of our Company immediately after the completion of the Global Offering if the Over-allotment Option is not exercised, or 2.58% in the total issued share capital of our Company if the Over-allotment Option is exercised in full. Please see the section headed "History, Development and Reorganization—Pre-IPO Investment" starting on page 116 of this prospectus for further details.

DIVIDEND POLICY

Our subsidiaries declared dividends of RMB41.2 million, RMB600.0 million and RMB160.0 million to their then shareholders in 2012, 2013 and 2014, respectively. We have settled all these dividends payable. The amounts of distributions that we have declared and made in the past do not indicate the dividends that we may pay in the future. We may declare dividends in the future after taking into account our results of operations, our total equity, our business conditions, strategies or needs for future expansions, our capital expenditure needs, dividend paid to us by our subsidiaries,

SUMMARY

impact of the dividend distribution on our working capital and financial position, and other factors as our Directors may deem relevant at such time. Subject to these factors and the limitations described in the section headed “Financial Information—Dividend Policy”, our Directors expect that, in the future, we may pay dividends from time to time in an aggregate amount of approximately 30% of profits attributable to the equity holders of our Company.

RECENT DEVELOPMENTS

In the nine months ended September 30, 2015, our revenue increased by 14.1% to RMB12,847.7 million from RMB11,257.8 million in the same period of 2014. The increase in our revenue was primarily due to our higher sales of products such as energy drinks, potato chips, peanut milk and herbal tea, our introduction of new products since September 30, 2014 such as Danish butter cookies, meat floss pies and nut pies, and our continued marketing campaigns. Our gross profit increased by 49.1% from RMB2,944.8 million in the nine months ended September 30, 2014 to RMB4,389.3 million in the same period of 2015, while our gross profit margin increased from 26.2% to 34.2%. Our higher gross profit margin was primarily due to improvements in our product mix, as a higher percentage of our sales were from sales of higher-margin products such as energy drinks and potato chips, decreases in the average purchase prices for certain of our major raw materials and packaging materials, and the higher prices for certain of our products. In addition to the factors discussed above, our net profit is also affected by a number of other factors. In the nine months ended September 30, 2015, and generally consistent with the six months ended June 30, 2015, our selling and distribution expenses were significantly higher compared to the same period of 2014. These higher selling and distribution expenses were primarily because beginning from late 2014 we adjusted our pricing and marketing strategies to conduct more marketing campaigns to strengthen our sales channels while at the same time increasing the average selling prices at which we sell our products to our distributors. Our Directors are responsible for the preparation of our unaudited consolidated management accounts as of and for the nine months ended September 30, 2015 in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by Hong Kong Institute of Certified Public Accountants. Our consolidated management accounts as of and for the nine months ended September 30, 2015 have been reviewed by our reporting accountants, Ernst & Young, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by Hong Kong Institute of Certified Public Accountants.

We borrowed three one-year term entrusted loans in the aggregate principal amount of RMB1.5 billion and at the interest rate of 4.365% from a third-party wealth management company through a commercial bank on August 7, 2015. We have used the proceeds of these loans to pay part of the amounts due to related parties incurred from our purchases of operating subsidiaries, operating assets and working capital from Fujian Dali as part of the Reorganization. If we had borrowed these loans on June 30, 2015, we would have had a gearing ratio (being our borrowings divided by our total assets) of 15.9% on the same date. We have repaid all the amounts due to the Controlling Shareholders and other related parties.

SUMMARY

The Directors confirm that there has been no material adverse change in our business, or the financial or trading position of our Group since June 30, 2015 and no event had occurred since June 30, 2015 that would materially and adversely affect the information in “Appendix I—Accountants’ Report” starting from page I-1 to this prospectus.

LISTING EXPENSES

We incurred approximately RMB22.5 million of listing expenses during the Track Record Period, among which RMB3.4 million was recorded as prepayments and RMB19.1 million was recorded as expenses. We expect to incur approximately an additional RMB218.0 million of listing expenses after the Track Record Period, of which approximately RMB44.3 million will be recognized as expenses in the consolidated statements of profit or loss for the year ending December 31, 2015 and the remaining (predominantly related to underwriting commission expenses, which will be fully capitalized) will be capitalized after the Listing.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business, (ii) risks relating to our industry, (iii) risks relating to China, and (iv) risks relating to the Global Offering. Among these risks, the ones we believe that could be relatively material include:

- Our business depends significantly on the strength of our brands and reputation. If we fail to maintain and enhance our brands and reputation, consumers’ recognition of and trust in us and our products may be materially and adversely affected.
- We operate in a highly competitive industry.
- Any food safety or health problems or any negative publicity or media reports related to our raw materials, our products or the general food and beverage industry could adversely affect our reputation and our ability to sell our products.

A detailed discussion of all the risk factors involved are set forth in the section headed “Risk Factors” starting on page 29 of this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

REGULATORY NON-COMPLIANCE

One of our subsidiaries had been in breach of the relevant environmental protection laws and was subject to fines during Track Record Period as the pollutants disposed by it were in excess of the permitted level. Such fines have been fully paid. Our PRC Legal Advisors has advised that the non-compliance incidents will not have a material adverse impact on us. In addition, during the Track Record Period, certain of our subsidiaries failed to complete the Environmental Protection Acceptance Procedures (環保驗收手續) and/or obtain the Pollutants Emission Permit (污染物排放許可證). As of the Latest Practicable Date, all these subsidiaries had obtained the relevant permits or approvals from the environmental authorities and/or completed the Environmental Protection Acceptance Procedures.

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According to our PRC Legal Advisors, based on the confirmation letters issued by the relevant environmental authorities, the likelihood of administrative penalties being imposed on these subsidiaries is remote. Please see the section headed “Business—Legal Compliance and Proceedings—Non-compliance Matters” starting on page 182 of this prospectus for further details.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK\$5.00 per Share	Based on an Offer Price of HK\$6.15 per Share
Market capitalization of our Shares ⁽²⁾	HK\$68,471 million	HK\$84,219 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾	HK\$0.88	HK\$1.02

Notes:

- (1) All statistics in this table are based on the assumption that the Over-Allotment Option is not exercised.
- (2) The calculation of market capitalization is based on 1,694,117,500 Shares expected to be issued under the Global Offering, and assuming that 13,694,117,500 Shares are issued and outstanding immediately following the completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II “Unaudited Pro Forma Financial Information” and on the basis that 13,694,117,500 Shares are issued and outstanding immediately following the completion of the Global Offering.

USE OF PROCEEDS

Assuming an Offer Price of HK\$5.58 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and no exercise of the Over-allotment Option, we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK\$9,453 million, and (ii) the net proceeds of the Global Offering that we will receive, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK\$9,152 million.

We intend to use the net proceeds of the Global Offering, assuming the Over-allotment Option is not exercised, for the following purposes:

- approximately 20%, or HK\$1,830 million, will be used for development, introduction and promotion of our new products.
- approximately 20%, or HK\$1,830 million, will be used for the expansion and upgrade of our production capacity and the manufacturing network.
- approximately 20%, or HK\$1,830 million, will be used for enhancing our presence in the sales channels and promoting our brands.

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- approximately 30%, or HK\$2,746 million, will be used for potential future acquisition and business cooperation that will help us to consolidate our position in the overall food and beverage industry by leveraging on our extensive nationwide sales and distribution network. As of the Latest Practicable Date, we had not engaged in any negotiations or entered into any letter of intent or any definitive and finalized understanding, commitment or agreement, legally binding or not, in connection with any business acquisitions nor had we commenced any due diligence process in relation to the same.
- approximately 10%, or HK\$915 million, will be used for our working capital and other general corporate purposes.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN applications form(s) or, where the context so requires, any of them
“AQSIQ”	Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局)
“Articles” or “Articles of Association”	the articles of association of the Company which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in the section headed “Appendix III—Summary of the Constitution of the Company and Cayman Companies Law”
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board” or “Board of Directors”	our board of Directors
“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate, calculated as $\left(\frac{V(t_n)}{V(t_0)}\right)^{\frac{1}{t_n-t_0}} - 1$, V(t ₀): start value, V(t _n): finish value, t _n -t ₀ : number of years
“Capitalization Issue”	the issue of 11,999,990,000 Shares to be made upon capitalization of certain sums standing to the credit of the share premium account of our Company as referred to in the section headed “Appendix IV—Statutory and General Information—A. Further Information About Our Group—3. Resolutions of our Shareholders”
“catering channel”	including restaurants, hotels, bars and pubs
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC

DEFINITIONS

“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“CDH Delicacy”	CDH Delicacy Holdings Limited, a company incorporated under the laws of BVI on September 1, 2014, and a Shareholder holding 3% of the issued share capital of our Company immediately prior to the Global Offering
“CDH Delicacy (HK)”	CDH Delicacy (HK) Limited, a limited liability company incorporated in Hong Kong on September 10, 2014 and a wholly-owned subsidiary of CDH Delicacy, who held 1% of the equity interest in Hui’an Packaging immediately prior to the Reorganization
“CDH Subscription Agreement”	the share subscription agreement entered into between CDH Delicacy, the Company and the Controlling Shareholders on April 29, 2015, pursuant to which our Company allotted and issued to CDH Delicacy, and CDH Delicacy subscribed for, 300 ordinary shares of a par value of US\$1.00 each of our Company
“CFDA”	China Food and Drug Administration (國家食品藥品監督管理總局), formerly named State Food and Drug Administration (SFDA, 國家食品藥品監督管理局)
“Chairman”	the chairman of the Board
“Chengdu Dali”	Chengdu Dali Foods Co., Ltd. (成都達利食品有限公司), a limited liability company established under the laws of the PRC on June 28, 2005 and an indirect wholly-owned subsidiary of our Company
“China” or “PRC”	the People’s Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the Listing Rules

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“Companies Ordinance” or “Hong Kong Companies Ordinance”	the Companies Ordinance (Chapter 622 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	Dali Foods Group Company Limited (達利食品集團有限公司), an exempted company incorporated in the Cayman Islands on November 4, 2014
“connected person”	has the meaning ascribed thereto in the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto in the Listing Rules and, unless the context requires otherwise, refers to Divine Foods, Divine Foods-1, Divine Foods-2, Divine Foods-3 and the Xu’s Family
“core connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Core Product Categories”	bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based dairy beverages; and energy drinks
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Dali (BVI)”	Dali Foods Holdings Limited, a company incorporated in the BVI as a limited liability company on November 4, 2014 and a direct wholly-owned subsidiary of our Company
“Dali (HK)”	Dali Foods Group (Hong Kong) Company Limited (達利食品集團(香港)有限公司), previously known as Dali Foods Group Limited (達利食品集團有限公司), a limited liability company incorporated in Hong Kong on November 11, 2014 and an indirect wholly-owned subsidiary of our Company
“Dali (PRC)”	Dali Foods Group Co., Ltd. (達利食品集團有限公司) (formerly known as Fujian Hui’an Dafa Paper Co., Ltd. (福建惠安大發紙品有限公司) and Hui’an Dali Packaging Company Limited (惠安達利包裝有限公司)), a limited liability company incorporated in the PRC on February 10, 1993 and an indirect wholly-owned subsidiary of our Company
“Director(s)”	director(s) of our Company

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“Divine Foods”	Divine Foods Limited, a company incorporated in BVI on November 4, 2014 and the immediate holding company and Controlling Shareholder of our Company
“Divine Foods-1”	Divine Foods-1 Limited, a limited company incorporated in BVI on November 4, 2014 and a Controlling Shareholder of our Company
“Divine Foods-2”	Divine Foods-2 Limited, a limited company incorporated in BVI on November 4, 2014 and a Controlling Shareholder of our Company
“Divine Foods-3”	Divine Foods-3 Limited, a limited company incorporated in BVI on November 4, 2014 and a Controlling Shareholder of our Company
“DTZ”	DTZ Debenham Tie Leung Limited, an independent property valuer
“e-commerce channel”	including internet retailers
“EIT Law”	the PRC Enterprise Income Tax Law promulgated on March 16, 2007 and became effective as of January 1, 2008
“Food and Beverage Subsidiaries”	refers to Dali (PRC), Shenyang Dali, Shanxi Dali, Hebei Dali, Nanchang Dali, Jiangsu Dali, Guangdong Dali, Henan Dali, Shaanxi Dali, Ma’anshan Dali, Yunnan Dali, Gansu Dali, Jilin Dali, Hubei Dali, Ji’nan Dali, Chengdu Dali and Quanzhou Dali
“Frost & Sullivan”	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an independent third party
“Frost & Sullivan Report”	the report, written by Frost & Sullivan as commissioned by the Company containing an analysis of China’s snack food and non-alcoholic beverage market for the period from 2009 to 2019 and other relevant economic data, as referred in the section headed “Industry Overview” in this prospectus
“Fujian Dali”	Fujian Dali Foods Group Co., Ltd. (福建達利食品集團有限公司), a limited liability company established under the laws of the PRC on August 12, 1992, held as to 55% by Mr. Xu, as to 15% by Ms. Chen and as to 30% by Ms. Xu as at the Latest Practicable Date

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“Gansu Dali”	Gansu Dali Foods Co., Ltd. (甘肅達利食品有限公司), a limited liability company established under the laws of the PRC on August 31, 2005 and an indirect wholly-owned subsidiary of our Company
“GDP”	gross domestic product (except as otherwise specified, all references to GDP growth rates are to real, as opposed to nominal, rates of GDP growth)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GMP”	Good Manufacturing Practice
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “we”, “us” or “Dali”	our Company and its subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
“Guangdong Dali”	Guangdong Dali Foods Co., Ltd. (廣東達利食品有限公司), a limited liability company established under the laws of the PRC on August 5, 2010 and an indirect wholly-owned subsidiary of our Company
“HACCP”	Hazard Analysis and Critical Control Points, a systematized preventive approach to food safety from hazards in production processes
“Hebei Dali”	Hebei Dali Foods Co., Ltd. (河北達利食品有限公司), a limited liability company established under the laws of the PRC on April 22, 2011 and an indirect wholly-owned subsidiary of our Company
“Henan Dali”	Henan Dali Foods Co., Ltd. (河南達利食品有限公司), a limited liability company established under the laws of the PRC on July 21, 2010 and an indirect wholly-owned subsidiary of our Company
“HK\$” or “Hong Kong dollar(s)” or “HKD” or “cents”	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited

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“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 169,412,000 Shares being initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by the Hong Kong Underwriters at the Offer Price for subscription by the public in Hong Kong (subject to reallocation as described in the section headed “Structure of the Global Offering—The Hong Kong Public Offering” in this prospectus) on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting—Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated November 9, 2015 relating to the Hong Kong Public Offering and entered into by, among others, our Company, our Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section headed “Underwriting—Underwriting Arrangements and Expenses” in this prospectus
“Hubei Dali”	Hubei Dali Foods Co., Ltd. (湖北達利食品有限公司), a limited liability company established under the laws of the PRC on June 16, 2005 and an indirect wholly-owned subsidiary of our Company
“Hui’an Packaging”	Hui’an Dali Packaging Company Limited (惠安達利包裝有限公司), a limited liability company incorporated in the PRC on February 10, 1993 and was renamed as Dali Foods Group Co., Ltd. (達利食品集團有限公司) after the Reorganization, which is an indirect wholly-owned subsidiary of our Company
“independent third party(ies)”	an individual(s) or a company(ies) who or which is/are not connected (within the meaning of the Listing Rules) with the Company, any of its Directors, chief executive or substantial shareholders (within the meaning of the Listing Rules), its subsidiaries or any of their respective associates

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“International Offer Shares”	the 1,524,705,500 Shares being initially offered by our Company pursuant to the International Offering for subscription at the Offer Price pursuant to the International Offering together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price, outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering—The International Offering” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around the Price Determination Date by, among others, the Joint Global Coordinators, the Joint Bookrunners, the International Underwriters, and the Company in respect of the International Offering, as further described in the section headed “Underwriting—Underwriting Arrangements and Expenses—International Offering” in this prospectus
“Jiangsu Dali”	Jiangsu Dali Foods Co., Ltd. (江蘇達利食品有限公司), a limited liability company established under the laws of the PRC on August 23, 2010 and an indirect wholly-owned subsidiary of our Company
“Jilin Dali”	Jilin Dali Foods Co., Ltd. (吉林達利食品有限公司), a limited liability company established under the laws of the PRC on June 17, 2005 and an indirect wholly-owned subsidiary of our Company
“Jinan Dali”	Jinan Dali Foods Co., Ltd. (濟南達利食品有限公司), a limited liability company established under the laws of the PRC on June 18, 2005 and an indirect wholly-owned subsidiary of our Company
“Joint Bookrunners”	Merrill Lynch International and Morgan Stanley Asia Limited
“Joint Global Coordinators”	Merrill Lynch International and Morgan Stanley Asia Limited

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“Joint Lead Managers”	Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering) and Morgan Stanley Asia Limited
“Joint Sponsors”	Merrill Lynch Far East Limited and Morgan Stanley Asia Limited
“Latest Practicable Date”	October 31, 2015 being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	the date, expected to be on or around November 20, 2015 on which the Shares are listed and from which dealings therein are permitted to commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“M&A Rules”	the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定)
“Ma’anshan Dali”	Ma’anshan Dali Foods Co., Ltd. (馬鞍山達利食品有限公司), a company established under the laws of the PRC on October 9, 2007 and an indirect wholly-owned subsidiary of our Company
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company which will become effective upon the Listing Date, as amended from time to time
“modern retail channel”	sales outlets including hypermarkets, supermarkets and chained convenience stores
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Xu”	Mr. Xu Shihui (許世輝先生), the founder of our Group and the Chairman, an executive Director, chief executive officer and a Controlling Shareholder of our Company

DEFINITIONS

“Ms. Chen”	Ms. Chen Liling (陳麗玲女士), a Controlling Shareholder and the spouse of Mr. Xu
“Ms. Xu”	Ms. Xu Yangyang (許陽陽女士), an executive Director and vice president of our Company, a Controlling Shareholder and the daughter of Mr. Xu and Ms. Chen
“Nanchang Dali”	Nanchang Dali Foods Co., Ltd. (南昌達利食品有限公司), a limited liability company established under the laws of the PRC on August 2, 2010 and our indirect wholly-owned subsidiary
“New Product”	a new food or beverage product introduced in that year or the four preceding years, including in relation to food products, a new product regardless of any packaging or flavor changes of that food product; and in relation to beverage products, a beverage product with upgraded packaging or a beverage product with a new flavor
“Nomination Committee”	the nomination committee of the Board
“Non-PRC Resident Enterprise”	as defined under the current PRC income tax laws, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%)
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be issued by our Company pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which our Company may be required to allot and issue up to an aggregate of 254,117,500 additional Shares at the Offer Price to cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering —Over-Allotment Option” in this prospectus
“PET” or “polyester chips”	Polyethylene terephthalate, a raw material used in the bottling process of our non-alcoholic beverages

DEFINITIONS

“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs, as the content requires, any of them
“PRC Legal Advisors”	Jingtian & Gongcheng
“Pre-IPO Investment”	the pre-IPO investment of CDH Delicacy in our Company by subscribing for 300 ordinary shares issued by our Company in accordance with the CDH Subscription Agreement
“Price Determination Date”	the date, expected to be on or about November 14, 2015 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and we may agree, but in any event no later than November 19, 2015
“Principal Share Registrar”	Maples Fund Services (Cayman) Limited
“Prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“province”	the administrative regions at the provincial level in the PRC
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Quanzhou Dali”	Quanzhou Dali Foods Co., Ltd. (泉州達利食品有限公司), a limited liability company established under the laws of the PRC on January 12, 1993 and an indirect wholly-owned subsidiary of our Company
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, Development and Reorganization—Reorganization” in this prospectus
“RMB” or “Renminbi”	the lawful currency of the PRC
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC (中國國家外匯管理局)
“SAIC”	State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

DEFINITIONS

“SAT”	State Administration of Taxation of the PRC (中國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shanxi Dali”	Shanxi Dali Foods Co., Ltd. (山西達利食品有限公司), a limited liability company established under the laws of the PRC on November 15, 2007 and an indirect wholly-owned subsidiary of our Company
“Shaanxi Dali”	Shaanxi Dali Foods Co., Ltd. (陝西達利食品有限公司), a limited liability company established under the laws of the PRC on June 28, 2011 and an indirect wholly-owned subsidiary of our Company
“Share(s)”	shares in the capital of our Company with a nominal value of HK\$0.01 each
“Share Option Scheme”	the share option scheme adopted by our Company on August 25, 2015 for the benefit of its employees, Directors, customers and suppliers of our Group, business or joint venture partners and certain advisors of our Group and their respective employees, a summary of the principal terms of which is set forth in “Appendix IV—Statutory and General Information—D. Share Option Scheme” to this prospectus
“Shareholder(s)”	holder(s) of our Shares
“Shareholders Agreement”	a shareholders agreement entered into amongst CDH Delicacy, the Controlling Shareholders and our Company in relation to our Company on April 29, 2015
“Shenyang Dali”	Shenyang Dali Foods Co., Ltd. (瀋陽達利食品有限公司), a limited liability company established under the laws of the PRC on May 21, 2012 and an indirect wholly-owned subsidiary of our Company
“SKU”	stock keeping unit
“specialty channel”	sales outlets mainly including gas stations, internet cafes, schools and karaoke
“SSOP”	Sanitation Standard Operating Procedures, sanitation procedures in food production plants, which is one of the prerequisite programs of HACCP

DEFINITIONS

“Stabilizing Manager”	Merrill Lynch Far East Limited
“State Council”	State Council of the PRC (中華人民共和國國務院)
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between Divine Foods and the Stabilizing Manager (or its affiliates or any person acting for it) on the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules, unless the context otherwise requires
“substantial shareholder”	has the meaning ascribed thereto in the Listing Rules
“Track Record Period”	the period comprising the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015
“traditional trade channel”	sales outlets including small grocery stores, non-chained convenience stores, kiosks and other small outlets
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VAT”	value-added tax
“White Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s/applicants’ own name
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited

DEFINITIONS

“Xiamen Dali”	Xiamen Dali Trading Co., Ltd. (廈門達利商貿有限公司), a limited liability company established under the laws of the PRC on April 2, 2010 and an indirect wholly-owned subsidiary of our Company
“Xu’s Family”	Mr. Xu, Ms. Chen and Ms. Xu
“Yellow Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS
“Yunnan Dali”	Yunnan Dali Foods Co., Ltd. (雲南達利食品有限公司), a limited liability company established under the laws of the PRC on March 25, 2008 and an indirect wholly-owned subsidiary of our Company
“%”	per cent

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to the cautionary statements in this section.

In this prospectus, statements of or references to our intentions or those of the Directors are made as of the date of this prospectus. Any such information may change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

RISK FACTORS

You should carefully consider all the information in this prospectus, including the risks and uncertainties described below and our financial statements and the related notes, prior to investing in our Shares. The risk factors relating to our business, industry and China may not typically be associated with investing in equity securities of similar companies from other jurisdictions. Our business, financial condition, results of operations and cash flows could be materially and adversely affected by any of these risks. The trading price of our Shares could decrease due to any of these risks and you may lose all or part of your investment.

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. These risk factors can be broadly categorized into: (i) risks relating to our business; (ii) risks relating to our industry; (iii) risks relating to China; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS

Our business depends significantly on the strength of our brands and reputation. If we fail to maintain and enhance our brands and reputation, consumers' recognition of and trust in us and our products may be materially and adversely affected.

We rely heavily on the strength of our brands and reputation in marketing and selling our products. We believe that our “Dali” brand and our five core brands of Daliyuan, Copico, Haochidian, Heqizheng and Hi-Tiger are recognized among Chinese consumers for quality and reliability, and that this recognition allows us to establish our Company as the leading snack food and non-alcoholic beverage manufacturer in China. Our brands and reputation could be harmed by product defects, ineffective customer services, product liability claims, consumer complaints, or negative publicity or media reports.

Any negative claim against us, even if meritless or unsuccessful, could divert our management's attention and other resources from other business concerns, which may adversely affect our business and results of operations. We and our products have occasionally been the subject of news reports and allegations related to product quality and safety. Negative media coverage regarding the safety, quality or nutritional value of our products, and the resulting negative publicity, could materially and adversely affect the level of consumer recognition of, and trust in, us and our products. In addition, adverse publicity about any regulatory or legal action against us could damage our reputation and brand image, undermine our customers' confidence in us and reduce long-term demand for our products, even if the regulatory or legal action is unfounded or immaterial to our operations.

Additionally, China's snack food and non-alcoholic beverage industry has experienced problems related to food safety, including contamination, due to adulterated supplies of raw materials and inadequate enforcement of food-safety regulations and inspection procedures. While these events may not have any direct connection to us, these types of problems may negatively influence consumer perception and demand for our products, even if they do not involve our products or operations, which could adversely affect our results of operations.

RISK FACTORS

We operate in a highly competitive industry.

We operate in China's snack food and non-alcoholic beverage industry and generally face strong competition, based upon factors including brand recognition, flavor, quality, price, availability, selection and convenience of products. Some of our competitors, in particular foreign companies, may have been in their respective businesses longer than we have and may have substantially greater financial, research and development and other resources than us. We also cannot assure you that our current or potential competitors will not market products comparable or superior to those we provide or adapt more quickly to evolving industry trends or changing market requirements. Our competitors in certain regional markets may also benefit from raw material sources or production facilities that are closer to these markets. It is also possible that there will be consolidation in the snack food and non-alcoholic beverage industry, integration of upstream and downstream businesses or alliances among competitors; and as a result, our competitors may rapidly acquire significant market share. Any of these events may cause our market share, business and results of operations to be adversely affected.

Furthermore, competition may cause our competitors to substantially increase their advertising and promotional activities or to engage in irrational or predatory pricing behavior. Our promotion and advertising expenses amounted to RMB312.4 million, RMB395.5 million, RMB483.7 million and RMB457.5 million for the three years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, respectively. We cannot guarantee that our marketing efforts will be sufficient to compete with our competitors. An increase in competition could require us to continue to increase our promotion and advertising expenses, which might place pressure on our margins and affect our profitability. Additionally, competition may result in price reductions, reduced margins and loss of market shares for us, any of which could have an adverse impact on our results of operations. We also cannot assure you that our competitors will not actively engage in activities, whether legal or illegal, designed to undermine our brands and product quality or to influence consumer confidence in our products.

Any food safety or health problems or any negative publicity or media reports related to our raw materials, our products or the general food and beverage industry could adversely affect our reputation and our ability to sell our products.

We are subject to risks affecting the food and beverage industry generally, including risks posed by the following:

- food and beverage contamination;
- contamination of raw materials;
- spoilage of raw materials;
- consumer product liability claims;
- product tampering;

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- product labeling errors;
- the expense and possible unavailability of product liability insurance; and
- the potential cost and disruption of product recalls.

If our raw materials or products are found to be spoiled, contaminated, tampered with, incorrectly labeled or reported to be associated with any such incidents, our reputation, business, financial condition, results of operations and prospects could be materially and adversely affected. For example, in 2008, sales of infant formula and powdered milk contaminated with melamine caused the death of a number of infants as well as illness in hundreds of thousands of others in China. In addition, in 2009 and 2010, further incidents of substandard infant formula and powdered milk contaminated with melamine were also uncovered in China. Although we do not currently produce infant formula or powdered milk and none of our plant-based and milk beverage products was involved in these incidents, reports of contaminated or tainted dairy products produced by other manufacturers in China could negatively affect the non-alcoholic beverage industry as a whole and our business, even if there is no association with our products. Such adverse publicity could negatively affect our sales, increase government oversight of our industry, and have a material adverse effect on our business, results of operations and financial condition.

There can be no assurance that contamination of our raw materials or products will not occur during the transportation, production, distribution and sales processes due to reasons unknown to us or out of our control. For example, in June 2015, a batch of our Haochidian crispy walnut biscuits (好吃點香脆核桃餅) manufactured by Chengdu Dali failed the food sampling spot test conducted by the local branch of CFDA likely due to contamination during sample testing, packing or transportation of the finished products in the aforesaid batch from the production factory to the warehouse. For further details of our quality control measures on our raw materials and products, please see the section headed “Business—Quality Control and Food Safety” in this prospectus.

In addition to the risks caused by our processing operations and the subsequent handling of our products, we may encounter the same risks if a third party tampers with our products. Any product contamination could also subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, product return, resulting in increased costs and any of these events could have a material and adverse impact on our reputation, business, financial condition, results of operations and prospects.

Inadequate or interrupted supply and price fluctuation for our raw materials and packaging materials could adversely affect our profitability.

Production volumes and costs for our products are dependent on our ability to source raw materials and packaging materials at acceptable prices and maintain a stable and sufficient supply of our major raw materials, including sugar, eggs, flour, palm oil, powdered milk, mesona and peanuts, and major packaging materials, such as polyester chips. Our costs of raw materials and packaging materials constituted 81.2%, 81.3%, 79.6% and 79.4% of our cost of sales in the three years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015, respectively. Raw materials and packaging materials we use are subject to price volatility caused by external conditions,

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such as commodity price fluctuations, supply and demand dynamics, logistics and processing costs, our bargaining power with the suppliers, inflation, and governmental regulations and policies. For example, the market price of sugar, a key raw material for our production, fell from RMB6,475 per metric ton in January 2012 to RMB4,023 per metric ton in September 2014 and increased to RMB5,288 per metric ton in June 2015, according to Frost & Sullivan. The price of polyester chips is largely affected by crude oil prices, which largely determines the prices of polyester chips' key raw materials, ethylene glycol and terephthalic acid. These fluctuations can be significant, as shown in recent years, with average prices of polyester chips in China decreasing from RMB10,985 per metric ton in January 2012 to RMB6,888 per metric ton in June 2015, according to Frost & Sullivan. We expect that our raw material and packaging material prices will continue to fluctuate and be affected by inflation and other factors over which we have no control. Historically, we have not hedged against changes in commodity prices, and we do not intend to enter into such hedges in the future. As such, commodity price increases may result in unexpected increases in our raw material and packaging material costs, and if we are unable to manage these costs or to increase the prices of our products to offset these increased costs, our margins and overall profitability may decrease.

If all or a significant number of our suppliers for any particular raw material or packaging material are unable or unwilling to meet our requirements, we could suffer shortages or significant cost increases. Our raw material and packaging material suppliers could fail to meet our needs for various reasons, including fires, natural disasters, weather, manufacturing problems, disease, crop failure, strikes, transportation interruptions, government regulation, political instability or terrorism. A failure of supply could also occur due to suppliers' financial difficulties, including bankruptcy. Changing raw material or packaging material suppliers may require long lead time. We may not be able to locate alternative suppliers in sufficient quantities, of suitable quality, or at an acceptable price. Continued supply disruptions could exert pressure on our costs, and we cannot assure you that all or part of any increased costs can be passed along to our customers in a timely manner or at all, which could negatively affect our business, overall profitability and financial performance.

Our efforts in developing, launching and promoting new products may not be successful.

The snack food and non-alcoholic beverage industry in China is highly competitive and consumers are tempted to shift their choices and preference whenever new products are launched or introduced by various marketing and pricing campaigns of different brands. In light of the highly competitive and volatile environment, our future growth depends on our ability to continue to introduce new products, flavors and packaging. Developing and introducing new products can be risky and expensive, and we cannot assure you that our new products or flavors will gain market acceptance or meet the particular tastes or requirements of consumers. We may not be able to introduce new products that are fast-growing or generate acceptable margins. In addition, we may fail to reduce production of our products that are experiencing declining consumption in a timely and cost-effective manner. To the extent we are unable to execute our strategy of continuously introducing new products, improving our portfolio of products and satisfying consumers' changing preferences, our market share and financial performance would be negatively affected.

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We may be unable to effectively manage our future growth and expansion.

Our future growth may result from establishing new production facilities, expanding our production capacity, introducing new products, expanding our sales and distribution network, entering new markets or new sales channels. For example, we will commence constructing new production facilities in Shenyang, Liaoning Province and are currently constructing a new office building in Xiamen, Fujian Province. Our ability to achieve growth will be subject to a range of factors, including:

- competing with existing companies in our markets;
- expanding our sales network, in particular with key accounts;
- enhancing our research and development capabilities;
- hiring and training qualified personnel;
- controlling our costs and maintaining sufficient liquidity;
- prioritizing our financial and management controls in an efficient and effective manner;
- exercising effective quality control;
- managing our various suppliers and leveraging our purchasing power;
- maintaining our high food-safety standards; and
- strengthening our existing relationships with distributors.

We face increased risks when we enter new markets, either within China or overseas, or enter new sales channels, including the e-commerce channel. We have entered the e-commerce channel and started exporting our products to other countries. New markets and sales channels may have different regulatory requirements, competitive conditions, consumer preferences and discretionary spending patterns from our existing markets and sales channels. Consumers in new markets and sales channels are likely to be unfamiliar with our brands and products and we may need to build or increase brand awareness in the relevant markets and sales channels by increasing investments in advertising and promotional activities than we originally planned. We may find it more difficult in new markets to hire, train and retain qualified employees who share our business philosophy and culture. In addition, we may have difficulty in finding reliable suppliers with adequate supplies of ingredients meeting our quality standards or distributors with efficient distribution networks. As a result, any products we introduce in new markets may be more expensive to produce and/or distribute and may take longer to reach expected sales and profit levels than in our existing markets, which could affect the viabilities of these new operations or our overall profitability.

In the e-commerce channel, we started operating flagship “stores” on major e-commerce websites, such as Yihaodian, in April 2014. We also sell our products to major e-commerce operators and online distributors. Our development of the e-commerce channel depends on many factors, most

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of which are beyond our control, including: the trust and confidence level of China's online consumers, as well as changes in consumer consumption patterns, tastes and preferences; the growth of Internet usage in China; and the development of fulfillment, payment and other ancillary services associated with e-commerce sales. A decline in the popularity of online shopping or any failure to respond to trends and consumer requirements in the e-commerce channel may adversely affect our sales and our business and growth prospects in this sales channel.

Additionally, our expansion plans and business growth could strain our managerial, operational and financial resources. Our ability to manage future growth will depend on our ability to continue to implement and improve operational, financial and management information systems on a timely basis and to expand, train, motivate and manage our workforce. We cannot assure you that our personnel, systems, procedures and controls will be adequate to support our future growth. Failure to effectively manage our expansion may lead to increased costs and reduced profitability and may adversely affect our growth prospects. In addition, as we expand our operations, we may encounter regulatory, personnel and other difficulties that may also increase our costs of operations.

We rely on third-party distributors to place our products into the market and we may not be able to control our distributors and their sub-distributors and retailers.

We rely on third-party distributors to sell our products. As of June 30, 2015, our distribution and sales network in China covered all provinces and cities and most county-level divisions in China and consisted of more than 3,900 distributors. Purchases by distributors accounted for the substantial majority of our sales. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, sales to our distributors accounted for 98.9%, 98.0%, 97.3% and 96.3% of our total revenue, respectively. As we mainly sell and distribute our products through distributors, any one of the following events could cause fluctuations or declines in our revenue and could have an adverse effect on our financial condition and results of operations:

- reduction, delay or cancellation of orders from one or more of our distributors;
- selection or increased sales by our distributors of our competitors' products;
- failure to renew distribution agreements and maintain relationships with our existing distributors;
- failure to establish relationships with new distributors on favorable terms; and
- inability to timely identify and appoint additional or replacement distributors upon the loss of one or more of our distributors.

We may not be able to compete successfully against larger and better-funded sales and marketing campaigns of some of our current or future competitors, especially if these competitors provide their distributors with more favorable arrangements. We cannot assure you that we will not lose any of our distributors to our competitors, which could cause us to lose some or all of our favorable arrangements with such distributors and may result in the termination of our relationships with other distributors. In addition, we may not be able to successfully manage our distributors and the cost of any

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consolidation or further expansion of our distribution and sales network may exceed the revenue generated from these efforts. There can be no assurance that we will be successful in detecting any non-compliance by our distributors with the provisions of their distribution agreements. Non-compliance by our distributors could, among other things, negatively affect our brand, demand for our products and our relationships with other distributors. Furthermore, if the sales volumes of our products to our consumers are not maintained at a satisfactory level or if distributor orders fail to track end-consumer demand, our distributors may not place orders for new products from us, may decrease the quantity of their usual orders or may ask for discount on the purchase price. The occurrence of any of these factors could result in a significant decrease in the sales volume of our products and therefore adversely affect our financial condition and results of operations.

We recorded significant growth during the Track Record Period and may not sustain our growth rate in the future.

During the Track Record Period, we recorded significant growth, as our revenue increased by 18.6% from RMB10,812.0 million in 2012 to RMB12,827.0 million in 2013, by 16.1% to RMB14,894.0 million in 2014, and by 15.1% from RMB7,388.1 million in the six months ended June 30, 2014 to RMB8,504.5 million in the same period of 2015. In addition, our net profit increased by 71.9% from RMB692.6 million in 2012 to RMB1,190.8 million in 2013, by 74.4% to RMB2,076.7 million in 2014, and by 46.6% from RMB1,034.5 million in the six months ended June 30, 2014 to RMB1,517.1 million in the same period of 2015. However, our financial growth may be negatively affected by risks and uncertainties described in this prospectus or otherwise. There can be no assurance that we will sustain our financial growth rate at historical levels or that we will be able to manage our growth successfully. In particular, the significant increase in revenue and high profit margin of our energy drink products in 2014 may not be sustainable in the future. In addition, the growth rate of our net profit from 2012 to 2014 may not be sustained in 2015 or in the future, given our relatively large net profit in 2014 and due to factors, risks and uncertainties, including uncertainty as to our ability to continue introducing new popular products and uncertainty as to our ability to continue strengthening our penetration in traditional trade, modern retail and other sales channels. You should not rely on our operating results for any prior periods as an indication of our future operating performance. Should any of the risks in relation to our growth strategy materialize, we may not be able to take advantage of market opportunities, execute our business plans or appropriately respond to competitive pressures, and our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Our business is subject to changes in consumer taste, preferences, perceptions and spending patterns.

Our business depends substantially on factors such as consumer preferences and tastes, consumer income, consumer perceptions of and confidence in our product safety and quality and consumer awareness of health issues, all of which affect consumer spending patterns. A decline in the demand for our products could occur as a result of a change in any of the factors described above at any time, and our future success will depend partly on our ability to anticipate, identify or adapt to such changes and to timely offer new advertising and promotion strategies that can attract consumers to our products.

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We cannot assure you that we will be able to adapt our product portfolio to changes in seasons, food and beverage trends or shifts in consumer preferences and tastes. We may not be able to introduce new products that are in faster-growing and more profitable categories or reduce our production of products in categories experiencing consumption declines. Additionally, trends and shifts in consumer preferences and tastes may apply downward pressure on sales and pricing or lead to increased levels of selling and promotional expenses. Any of these factors could have a material adverse impact on our financial condition and results of operations.

We do not usually enter into long-term arrangements with our suppliers, distributors and key accounts.

To retain operation flexibility, we usually do not enter into long-term arrangements with our suppliers, distributors or key accounts, and instead enter into or extend agreements with them annually. They may reduce or cease purchasing products from us or reduce or cease supplying raw materials to us at any time, which could adversely affect our business and results of operations. There is no guarantee that our current or future contracts can be negotiated on terms and prices equivalent to or better than current terms and prices. In addition, if we face increased costs from our suppliers, we may not be able to pass on these higher costs along to our customers.

We had net current liabilities as of December 31, 2012, 2013 and 2014, June 30, 2015 and September 30, 2015 and we cannot assure you that we will not continue to record net current liabilities.

As of December 31, 2012, 2013 and 2014, June 30, 2015 and September 30, 2015, we had net current liabilities of RMB690.7 million, RMB1,041.2 million, RMB4,124.9 million, RMB1,460.0 million and RMB742.7 million, respectively, primarily because we used cash flows from operating activities, capital contributions from the Controlling Shareholders and advances from the Controlling Shareholders to purchase property, plant and equipment and prepaid land lease payments for our production facilities and to purchase production lines, and we incurred significant amounts due to related parties and had dividends payable to a related party in connection with the Reorganization. We may have net current liabilities in the future. Please see the section headed “Financial Information—Liquidity and Capital Resources—Current Assets and Liabilities” in this prospectus for further details regarding our net current liabilities. Having significant net current liabilities could constrain our operational flexibility and adversely affect our ability to expand our business. If we do not generate sufficient cash flow from our operations to meet our present and future financial needs, we may need to resort to external funding. If adequate external funds are not available on commercially reasonable terms or at all, we may face liquidity difficulties. As such, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to protect our intellectual property rights and industrial know-how, and our ability to compete could be harmed if our intellectual property rights are infringed by or our industrial know-how is disclosed to third parties.

We have developed trademarks, patents, copyrights, industrial know-how, product formula, production processes, technologies and other intellectual property rights that are of significant value to us. As of June 30, 2015, we had 118 registered trademarks, 26 patents and 24 copyrights in China.

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Our products are marketed under our trademarks and brand names, which are amongst the most well-known brands for consumers in China and are critical to our continued success and growth, including, in particular, our brand “Dali” and five core brands “Daliyuan”, “Copico”, “Haochidian”, “Heqizheng” and “Hi-Tiger.” Counterfeiting and imitation of popular branded products occurs from time to time in China. We cannot assure you that we will be able to promptly detect the presence of counterfeited products in the market. Occurrence of counterfeiting or imitation could impact our reputation and brands, which may lead to loss of consumer confidence, reduced sales or higher administrative costs in respect of detection and prosecution. In addition, there can be no assurance that any of our intellectual properties will not be challenged, misappropriated or circumvented by third parties. In addition, China’s legal regime governing intellectual properties is still evolving and the level of protection of intellectual property rights in China may differ from those in other jurisdictions, which results in a higher degree of uncertainty as to interpretation and enforcement and may limit our legal protections. Litigation to protect intellectual property rights, in particular industrial know-how, may also be difficult, expensive and ineffective. During the Track Record Period, we discovered numerous incidents of possible infringements and made report to relevant Chinese government authorities. Appropriate actions were taken by the relevant Chinese government authorities, including the confiscation of counterfeit productions and imposition of fines.

In addition, we rely on trade secrets protection to secure our product formulas and production processes. We rely on a combination of contractual responsibilities and confidentiality restrictions in our agreements with employees, agents, distributors, retailers and other entities to which we disclose our product formulas, and legal and statutory protections to safeguard our proprietary rights, including the ingredients and product formulas. Any confidentiality breach by our employees or any other entities having access to our formulas and other trade secrets could result in third parties, including our competitors, gaining access to such formulas and trade secrets. If our competitors are able to successfully imitate our product formulas and/or our product packaging while managing to provide comparable products at competitive prices, our market share may decrease.

If the steps we have taken and the protection provided by law do not adequately safeguard our intellectual property rights and industrial know-how, we could suffer losses in profits due to the sales of competing products, which exploit our intellectual property rights and industrial know-how. We may also be subject to disputes, claims or litigation involving our intellectual property rights or third-party intellectual property rights and we may be accused of infringing the intellectual property rights of others. Any of these developments could disrupt our business, divert our resources and management’s attention from our operations and materially and adversely affect our financial condition and results of operations and prospects.

Our operations may be interrupted by production difficulties due to mechanical failures, utility shortages or stoppages, fire, acts of God or other calamities at or near our facilities.

We rely on machines and equipment to achieve mass production of our products. Any mechanical failures or breakdown could materially disrupt our production and cause us to incur additional costs to repair or replace the affected mechanical system. There can be no assurance that we will not experience problems with our machines and equipment or that we will be able to address any such problems or obtain replacements in a timely manner. Problems with key machines and equipment in

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one or more of our production facilities may affect our ability to produce our products or cause us to incur significant expense to repair or replace the affected machines or equipment. Any of these could have a material adverse effect on our business, financial condition, results of operations and prospects.

Furthermore, our production and operations depend on a continuous and adequate supply of utilities, such as electricity, water and gas. If there are any shortages of power, water, gas or other utilities, the Chinese authorities may require our production facilities to be shut down periodically. Any disruption in the supply of electricity, water or gas at our production facilities would disrupt our production, and could cause deterioration or loss of our products. This could adversely affect our ability to fulfill our sales orders and consequently may have an adverse effect on our business and operations.

In addition, our facilities and operations are subject to various risks. Fire, earthquakes, natural disasters, pandemic or extreme weather, including droughts, floods, excessive cold or heat, typhoons or other storms, causing power outages, gas or water shortages, damage to our production and processing facilities or disruption of transportation channels, among other events, could significantly interfere with our operations. For example, the Sichuan earthquake in May 2008 and the Yushu earthquake in April 2010 caused delays in our production plans at our Chengdu and Gansu production facilities, respectively. Any failure to take adequate steps to mitigate the potential impact of unforeseeable events, or to effectively respond to such events, could adversely affect our business, financial condition and results of operations.

We may not be able to attract and retain our core management team and other key personnel for our operation.

Our future business performance and prospects depend significantly on our Directors and senior management, as they are in charge of the overall planning of the development of our Group and the direction of our operations. In particular, we are reliant on our founder, Chairman and chief executive officer, Mr. Xu, who has approximately 26 years of experience in the industry and develops our business from a local food enterprise to a leading snack food and beverage company in China. If Mr. Xu or any of our Directors and/or any members of senior management were to terminate their employment with us, we may not be able to find suitable replacements in a timely manner, at acceptable cost or at all. In addition, competition for qualified personnel in China is intense and the availability of suitable candidates is limited. Failure to attract and retain our core key personnel could materially and adversely affect our results of operations and business prospects.

Our performance depends on favorable labor relations with our employees, and any deterioration in labor relations, shortage of labor or material increase in wages may have an adverse effect on our results of operation.

The production and sale of food and beverage products is labor intensive, and our success depends on our ability to hire, train, retain and motivate our employees. We consider favorable labor relations as a significant factor that can affect our performance, and any deterioration of our labor relations could cause labor disputes, which could result in disruption of production and operations.

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Since the reform and opening up, China has experienced rapid economic growth, which has resulted in a significantly increased labor costs. Average labor wages are expected to increase. In addition, we may need to increase our total compensations to attract and retain experienced personnel required to achieve our business objectives. Any material increase in our labor costs may have an adverse effect on our results of operations.

Our employees are subject to risks of serious injury caused by the use of production equipment and machinery.

We use heavy machinery and equipment such as industrial mixing, rolling and compressing machines and cutting equipment, which are potentially dangerous and may cause industrial accidents and personal injury to our employees. Any significant accident caused by the use of this equipment or machinery could interrupt our production and result in legal and regulatory liabilities. Although we have purchased work-related injury insurance for our employees as well as employer's liability insurance, insurance coverage related to accidents resulting from the use of our equipment or machinery may be inadequate to offset losses arising from claims related to such accidents. We cannot assure you that accidents will not happen in the future. In addition, potential industrial accidents leading to significant property loss or personal injury may subject us to claims and lawsuits, and we may be liable for medical expenses and other payments to the employees and their families as well as fines or penalties. As a result, our reputation, brands, business, results of operations and financial condition may be materially and adversely affected.

Our insurance coverage may not be adequate to cover all the risks.

During the Track Record Period, we have maintained insurance coverage including pension, medical, unemployment, work-related injury and maternity insurance for our employees, property insurance and auto liability. Please see the section headed "Business—Insurance" in this prospectus for further details. However, we do not maintain insurance policies against product liability, interruptions to business operations, third party liability claims against personal injury or environmental liabilities. If we are exposed to the liabilities in respect of any of these uninsured risks, or if we do not have adequate insurance coverage, our business, financial condition, results of operations and the prospects could be materially and adversely affected.

Our facilities and operations may require substantial investment and upgrading.

We have an advanced research and development team to develop new products and new techniques and to improve existing production technologies and processes. Our facilities and operations may require substantial investment and upgrading to apply those research results or to expand our production capacity or optimize our existing production capability. We expect to incur substantial costs to upgrade our facilities and equipment. If the upgrading costs exceed the anticipated costs or the upgrade does not bring increase of revenue as anticipated, our financial condition could be adversely affected.

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Our sales and reputation may be adversely affected by delays in delivery or poor handling by third party logistics services providers.

We are typically responsible for delivering our products to our customers, and we rely on third party logistics services providers to provide these services. There are various reasons beyond our control that could cause delays in delivery, including natural disasters and extreme weather, labor strike and road maintenance constructions. Delays in delivery could reduce the shelf life of our products and in turn adversely affect our results of operations. Additionally, third-party logistics services providers may cause damage to or lose our products. If our products are not delivered on time, we may breach our distribution agreements and have to pay compensation to our distributors and retailers accordingly. More importantly, this may adversely affect our reputation and further cause loss of distributors or retailers and market share, which could adversely affect our results of operations.

Failures or security breaches of our information technology systems could disrupt our operations and generate additional maintenance costs.

We use information technology systems to monitor our production process, increase efficiencies in our facilities and inventory management, and manage and analyze our operations and financial information. In addition, we rely on information technology for electronic communications between our facilities, personnel, distributors, customers and suppliers. However, information technology system could be vulnerable to various threats including unauthorized disclosure of information, intentional alteration of data, cyber-attacks, acts of nature, electrical disruption, system configuration error and telecommunication malfunction. Although we have implemented protection schemes for our information technology system, these protection may not be sufficient. Any serious system failure or system malfunction could cause negative impact on our operations and reputation. Any unauthorized disclosure of information could cause leak of trade secrets, confidential information and customer information, which could adversely affect our results of operation, financial condition and reputation.

The outbreak of any severe contagious diseases, if uncontrolled, could adversely affect our business and results of operation.

Our business could be materially and adversely affected by the outbreaks of contagious diseases such as Severe Acute Respiratory Syndrome, or SARS, influenza A (including H1N1, H7N9 and H10N8) and Ebola that spread across China and the world in recent years. While we did not suffer any material loss resulting from the contagious diseases during the Track Record Period, if a similar disaster were to occur in the regions where we operate, our operations could be materially and adversely affected as a result of loss of personnel, damages to property or decreased demand for our food and beverage products.

In addition, if any of our employees is infected or affected by any severe communicable diseases, it could adversely affect or disrupt our production at the relevant production facility and adversely affect our business operations as we may be required to close our production facilities to prevent the spread of the disease. The spread of any severe communicable disease in China may also affect the operations of our suppliers, distributors and customers, causing delivery disruptions, which could in turn adversely affect our operating results.

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Defects related to certain of our properties may adversely affect our ability to use these properties.

As of the Latest Practicable Date, we leased 25 properties with a total gross floor area of approximately 262,402.60 sq.m. We have not obtained the registration certificate for any of these leased properties. There can be no assurance that the relevant government authorities would not impose administrative penalties on us as a result of the non-registration of these lease agreements. If we are liable for fines because of the non-registration of lease agreements, our business operation could be adversely affected.

As of the Latest Practicable Date, we owned 54 parcels of land with an aggregate site area of approximately 3,117,191.23 sq.m. for our production facilities, ancillary facilities and offices. We have obtained the land use rights certificates for 54 parcels of land, two of which have title defects (“Defective Land”). The Defective Land has a total site area of 92,257 sq.m. in Quanzhou, Fujian province, which accounted for approximately 3.0% of the total site area of land use rights we owned. The Defective Land was obtained by Quanzhou Dali from the competent government authorities by way of state allocation (劃撥) at the time the company was being incorporated. We have obtained the state-owned land use right certificates for the Defective Land. As a private company, we are required by the applicable Chinese laws and regulations to complete land use right transfer procedures to convert these allocated land use rights into granted land use rights. We are going through the land use right grant procedures. However, there can be no assurance that we can complete the land use right transfer procedures and that the relevant government authorities would not impose fines or require us to relocate our facilities for non-completion of the land use right grant procedures. If we are liable for the fines of non-completion of the land use right transfer procedures and be required to relocate our facilities, our business operation can be adversely affected.

RISKS RELATING TO OUR INDUSTRY

China’s food and beverage industry is affected by fluctuations in the domestic and global economy and financial markets.

Our business operations depend on the conditions and overall activity levels in the food and beverage industry, which may be adversely affected by changes in national or global economic conditions and local economic conditions in the markets in which we operate. These types of changes could include GDP growth, inflation, interest rates, availability of and access to capital markets, consumer spending rates and the effects of governmental initiatives to manage economic conditions. Weak economic conditions could harm our business by contributing to reductions in demand, insolvency of key suppliers, potential customer and counterparty insolvencies, and increased challenges in conducting our operations. For example, the global economic slowdown and turmoil in the global financial markets that started in the fourth quarter of 2008 resulted in a general credit crunch, higher level of commercial and consumer delinquencies, lack of consumer confidence and increased market volatility. Any slowdown in global, regional or national economy could cause a drop in consumer confidence and the level of disposable income, which result in lower demand for our products, affecting our business, results of operations and financial position.

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In addition, the general lack of available credit and confidence in the financial markets associated with any market volatility or downturn could adversely affect our access to capital as well as our suppliers' and customers' access to capital, which in turn could adversely affect our ability to fund our working capital requirements and capital expenditures.

We may not be able to obtain or renew the necessary licenses and permits for our business or maintain our existing standard certifications.

In accordance with Chinese laws and regulations, we are required to obtain and maintain various licenses and permits in order to operate our business at each of our production facilities including, without limitation, the production license for industrial products (全國工業產品生產許可證) and the production license for health food (保健食品生產許可證). We are also required to comply with applicable Chinese health and hygiene and production safety standards in relation to our production processes. Our production facilities are subject to regular inspections by the regulatory authorities for compliance with the relevant laws and regulations in the China, including Regulations on the Administration of Production Licenses for Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例), Implementation Measures for the Regulations for the Administration of Production Licenses for Industrial Products of the PRC (中華人民共和國工業產品生產許可證管理條例實施辦法) and Food Safety Law of the PRC (中華人民共和國食品安全法). Failure to pass these inspections, or the loss of or failure to obtain or renew our licenses and permits when they expire, could require us to temporarily or permanently suspend some or all of our production activities, which could disrupt our operations and adversely affect our business. In addition, we have obtained and maintain certifications for certain internal quality management standards, such as ISO 9001:2008 and ISO 22000:2005. Failure to obtain or renew these certifications when they expire could adversely affect our business and reputation.

Our environmental related costs may increase if the Chinese environmental protection laws become more onerous, and non-compliance with relevant environmental protection laws could lead to imposition of fines and penalties and harm our business.

Our business is subject to China's environmental protection laws and regulations. These laws and regulations requires us to adopt effective measures to control and properly dispose of waste materials, waste water and other environmental waste materials, as well as fee payments from manufacturers discharging waste substances. Fines may be levied against us if we cause pollution in excess of permitted levels. If we fail to comply with such laws or regulations results in environmental pollution, the administrative department for environmental protection can levy fines. If the circumstances of the breach are serious, the Chinese government may suspend or close any operation failing to comply with such laws or regulations. For example, there were certain environmental non-compliance incidents at some of our subsidiaries. One of our subsidiaries, Jinan Dali, was in breach of the Law on Prevention and Treatment of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), the Law on the Prevention and Treatment of Water Pollution of the PRC (《中華人民共和國水污染防治法》) and during Track Record Period was fined the total sum of RMB236,914, because the waste water and waste air released by it were in excess of the permitted levels. In addition, during the Track Record Period, certain of our subsidiaries failed to complete the Environmental Protection Acceptance

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Procedures (環保驗收手續) and/or obtain the Pollutants Emission Permit (污染物排放許可證). Please see the section headed “Business—Legal Compliance and Proceedings—Non-compliance Matters” in this prospectus for further details about these incidents. Any environmental non-compliance incidents could materially adversely affect our business and financial condition.

There can also be no assurance that the Chinese government will not change the existing laws or regulations or impose additional or stricter laws or regulations, compliance with which may cause us to incur significant capital expenditure and which may as a result materially adversely affect our financial condition.

In addition, many countries have introduced recycling fees on the use of certain containers, particularly those made from glass, plastic or aluminum. Currently, there are no statutes or regulations requiring payment of these types of fees in China. However, if these types of fees were to be introduced in China, particularly with regard to the PET bottles we use to package our beverage products, they could have a material adverse effect on our results of operations to the extent that we are unable to fully pass the relevant costs on to our customers, or that these types of regulations deter consumers from purchasing these products.

Changes in food-safety laws may affect our business.

As a manufacturer of products intended for direct human consumption, we are subject to extensive food-safety laws and regulations of China and other countries to which we distribute our products. For instance, the Chinese food-safety laws require all enterprises engaged in the production of energy drinks to obtain the Certificate of Health Food (保健食品批准證書) and GMP qualification for each of their production facilities. They also set out standards with respect to food and food additives, packaging and containers, information to be disclosed on packaging as well as hygiene requirements for food production and sites, facilities and equipment used for the transportation and sale of food. In addition, the recent amendments to the Food Safety Law of the PRC (《中華人民共和國食品安全法》) which became effective on October 1, 2015 has extended its coverage to, among others, regulating health food as well as sales of food products through e-commerce channels. Please see the section headed “Regulatory Overview” in this prospectus for further details.

If we fail to comply with food-safety laws in China or other jurisdictions in which we distribute our products, we may be subject to fines, suspension of operations, loss of food production licenses and, in more extreme cases, criminal proceedings against us and our management. Any of these events would have an adverse impact on our production, business, results of operations and financial condition.

There can be no assurance that the Chinese government or the governmental authorities of other jurisdictions in which we distribute or sell our products will not impose additional or stricter laws or regulations on food safety, providing for stricter and more comprehensive monitoring and regulation of food manufacturers and distributors in areas including food production and distribution, which may lead to an increase in our costs of complying with such regulations. We may be unable to pass these additional costs on to our customers, which may result in an adverse effect on our results of operations.

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Litigation or legal proceedings could expose us to liability, divert our management’s attention and negatively impact our reputation.

We may be involved in litigation or legal proceedings during the ordinary course of business operations related to, among other things, product or other types of liability, labor disputes or contract disputes that could have a material and adverse effect on our financial condition. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and customer preference for our products. If we become involved in any litigation or other legal proceedings in the future, the outcome of these types of proceedings could be uncertain and could result in settlements or outcomes that adversely affect our financial condition. In addition, any litigation or legal proceedings could incur substantial legal expenses as well as significant time and attention of our management, diverting their attention from our business and operations.

RISKS RELATING TO CHINA

Changes in political, social and economic policies in China may materially and adversely affect our business, financial condition, results of operations and prospects.

All of our operating subsidiaries are located in China and all of our business activities are conducted in China. Accordingly, changes in political, social and economic policies in China may materially affect our results of operations and business prospects. The Chinese economy differs from the economies in most developed countries in many aspects, including the level of government involvement, degree of development, economic growth rate, control of foreign exchange and allocation of resources. Since 1978, the Chinese government has implemented many economic and social reform measures. As a result, China is experiencing a transition from a planned economy to a more market-oriented economy. Many of the reforms are exploratory or experimental, and they are expected to be modified as the economic and social situation develops. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. Although China has experienced rapid economic growth over the past decades, its continued growth has been facing downward pressure since the second half of 2008 and its annual GDP growth rate has declined from 9.5% in 2011 to 7.7% in 2012 and from 7.7% in 2013 to 7.3% in 2014, according to National Bureau of Statistics of China (中華人民共和國國家統計局). There is no assurance that future growth will be sustained at similar rates or at all. Our business, financial position, results of operations and prospects may be adversely affected by Chinese government’s political, economic and social policies affecting our industries.

Uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.

Our subsidiaries and operations are mainly located in China and are subject to the laws and regulations of China. The Chinese legal system is a civil law system based on written statutes. Unlike the common law legal system, prior court decisions in a civil law system have little precedential value and can only be used as a reference. Furthermore, China’s statutes are subject to the interpretation by the legislative bodies, the judicial authorities and the enforcement bodies, which increases the uncertainty. Since 1978, when the Chinese government started economic reforms, China has promulgated laws and regulations in relation to economic matters such as foreign investment,

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corporate organization and governance, commercial transactions, taxation and trade. Many of these laws and regulations are relatively new and subject to frequent changes and uncertainties in implementation and interpretation. There may also be new laws and regulations to cover new economic activities in China. We cannot predict the future developments in the Chinese legal system. These uncertainties in the Chinese legal system may adversely affect our business and limit the legal protection available to you.

Preferential tax treatment and financial subsidies that we have enjoyed may be changed or terminated.

Under the EIT Law, enterprises in China are generally subject to a uniform 25% enterprise income tax rate on their worldwide income. Four of our subsidiaries obtained approvals from the relevant Chinese tax authorities for eligibility for a preferential 15% enterprise income tax rate in January, April, May and May 2015, respectively, in accordance with the Notice on Tax Policies to Implement the Strategy of Developing Western China (關於深入實施西部大開發戰略有關稅收政策問題的通知) promulgated by the Ministry of Finance, the General Administration of Customs and the State Tax Administration on July 27, 2011 and the relevant local regulations (the “Western China Development Regulations”). For further information, see “Financial Information—Description of Selected Income Statement Line Items—Income Tax Expense.” Two of these subsidiaries were granted the preferential tax treatment for relatively short periods. This accreditation needs to be renewed upon the expiration date as indicated in the approval, and we cannot assure you that these two subsidiaries will be able to successfully renew it in future. Local Chinese governments have also granted us various financial subsidies in recognition of our contribution to local economies and expansions of our production capacity. In 2012, 2013, 2014 and the six months ended June 30, 2015, we recorded government grants of RMB21.1 million, RMB27.8 million, RMB44.2 million and RMB102.5 million, respectively. These financial subsidies have been given at the discretion of the local governmental authorities. There is no assurance that we would continue to enjoy the above income tax incentive or financial subsidies at the historical levels, or at all. Any change, suspension or termination of the above preferential tax treatment and financial subsidies to us could adversely affect our financial condition, results of operations and cash flows.

As a holding company, we rely on the distribution by our Chinese subsidiaries for funding.

We are a holding company incorporated in the Cayman Islands and we operate our business through our operating subsidiaries in China. We rely on the distribution to us by our Chinese subsidiaries for funding, including to pay dividends to our Shareholders and to service any debt we may incur. The Chinese laws permit dividends to be paid by our Chinese subsidiaries only out of their distributable profits determined in accordance with the PRC generally accepted accounting principles (“PRC GAAP”), which differ from the accounting principles and standards generally accepted in many other jurisdictions. The Chinese laws also require each of our Chinese subsidiaries to maintain a general reserve fund of 10% of its after-tax profits based on PRC GAAP, up to a maximum of 50% of its registered capital. Any of our Chinese subsidiaries that is a foreign invested enterprise may also be required to set aside individual funds for staff welfare, bonuses and development in accordance with Chinese laws. These reserve funds are not available for distribution as cash dividends.

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Additionally, factors such as cash flows, restrictions in debt instruments, withholding tax and other arrangements may restrict our Chinese subsidiaries' ability to pay dividends to us and in turn restrict our ability to pay dividends to our Shareholders. Distributions by our Chinese subsidiaries to us in forms other than dividends may also be subject to government approvals and taxes.

The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a PRC resident enterprise by a non-resident enterprise, which may negatively affect our business and our ability to conduct mergers, acquisitions or other investments and the value of your investment in our Company.

On February 3, 2015, the PRC State Administration of Taxation issued the Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業間接轉讓財產企業所得稅若干問題的公告) (“Circular 7”). This regulation repealed certain provisions in the Notice on Strengthening the Administration of Enterprise Income Tax on Non-Resident Enterprises (關於加強非居民企業股權轉讓企業所得稅管理的通知) (“Circular 698”) and certain rules clarifying Circular 698. Circular 698 was issued by the PRC State Administration of Taxation on December 10, 2009. Circular 7 provides comprehensive guidelines relating to, and heightened the Chinese tax authorities' scrutiny on, indirect transfers by a non-resident enterprise of assets (including equity interests) of a PRC resident enterprise (“PRC Taxable Assets”). For example, when a non-resident enterprise transfers equity interests in an overseas holding company that directly or indirectly holds certain PRC Taxable Assets and if the transfer is believed by the Chinese tax authorities to have no reasonable commercial purpose than to evade enterprise income tax, Circular 7 allows the Chinese tax authorities to reclassify this indirect transfer of PRC Taxable Assets into a direct transfer and impose on the non-resident enterprise a 10% rate of PRC enterprise income tax. Circular 7 exempts this tax, for examples, (i) where a non-resident enterprise derives income from an indirect transfer of PRC Taxable Assets by acquiring and selling shares of a listed overseas holding company in the public market, and (ii) where a non-resident enterprise transfers PRC Taxable Assets that it directly holds and an applicable tax treaty or arrangement exempts this transfer from PRC enterprise income tax. It remains unclear whether any exemptions under Circular 7 will be applicable to any future mergers, acquisitions or other investments that we may make outside China involving PRC Taxable Assets or to transfers of our Shares by our Shareholders. If the Chinese tax authorities impose PRC enterprise income taxes on these activities, our ability to expand our business or seek financing through these transactions and the value of your investment in our Shares may be adversely affected.

We may be deemed as a PRC tax resident under the EIT Law and be subject to PRC taxation on our worldwide income.

Under the EIT Law, enterprises established under the laws of jurisdiction other than China may be considered as a PRC tax resident provided that their “de facto management body” are located within China. Supplementary rules of the EIT Law interprets “de facto management body” as a body that exercises substantial management or control over the business, personnel, finance and properties of an enterprise. Through a circular promulgated in April 2009, the PRC State Administration of Taxation further clarified the criteria for determining whether an enterprise has a “de facto management body” within China. As most of our management is currently based in China and many may remain in China in the future, we and our non-PRC subsidiaries may be treated as PRC tax residents and a number of

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unfavorable tax consequences could follow. We may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income and to PRC enterprise income tax reporting obligations. Any income sourced by us from outside China, such as interest on offering proceeds held outside China, would be subject to PRC enterprise income tax at a rate of 25%. While the EIT Law provides that dividend income between “qualified resident enterprises” is exempt from PRC enterprise income tax, it is not clear whether our Company and our non-PRC subsidiaries would be eligible for such exemption were we considered to be PRC tax residents. In addition, if we are treated as PRC tax residents under Chinese laws, capital gains realized from sales of our Shares and dividends we pay to non-PRC resident Shareholders may be treated as income sourced within China. Accordingly, dividends we pay to non-PRC resident Shareholders and transfers of Shares by these Shareholders may be subject to PRC income tax. The tax on this income of non-PRC resident enterprise Shareholders would be imposed at a rate of 10% (and may be imposed at a rate of 20% in the case of non-PRC resident individual Shareholders), subject to the provisions of any applicable tax treaty. If we are required to withhold PRC income tax on dividends payable to you, or if you are required to pay PRC income tax on the transfer of our Shares, the value of your investment in our Shares may be materially and adversely affected.

Dividends paid to our investors are subject to PRC withholding taxes.

Under the EIT Law and its implementation rules, a 10% withholding tax is applicable to the profit of a foreign invested enterprise distributed to its immediate holding company outside China to the extent the distributed profit is sourced from China, (i) if the immediate holding company is neither a PRC-resident enterprise nor has any establishment or place of business in China, or (ii) if the immediate holding company has an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Pursuant to a special arrangement between Hong Kong and China, this rate will be lowered to 5% if a Hong Kong resident enterprise directly owns over 25% of the Chinese company. However, according to the Circular of the PRC State Administration of Taxation on Printing and Issuing the Administrative Measures for Non-residents to Enjoy the Treatment Under Taxation Treaties (關於印發《非居民享受稅收協定待遇管理辦法(試行)的通知》) which became effective on October 1, 2009, this 5% tax rate does not automatically apply. Approvals from competent local tax authorities are required before an enterprise can enjoy the relevant tax treatments relating to dividends under the taxation treaties. In addition, according to a tax circular issued by the PRC State Administration of Taxation in February 2009, if the main purpose of an offshore arrangement is to obtain a preferential tax treatment, Chinese tax authorities have the discretion to adjust the tax rate enjoyed by the relevant offshore entity. We cannot assure you that Chinese tax authorities will determine that the 5% tax rate applies to dividends received by our subsidiaries in Hong Kong from our Chinese subsidiaries or that Chinese tax authorities will not levy a higher withholding tax rate on these dividends in the future.

Failure by our Shareholders or beneficial owners who are PRC residents to make required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing dividends and could expose us and our Shareholders who are PRC residents to liability under Chinese laws.

The Circular on Relevant Issues concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents through Overseas Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管

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理有關問題的通知》) (“SAFE Circular No. 37”), which was promulgated by SAFE and became effective on July 14, 2014, requires a PRC individual resident (“PRC Resident”) to register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (“Offshore SPV”) that is directly established or controlled by the PRC Resident for the purpose of conducting investment or financing. Following the initial registration, the PRC Resident is also required to register with the local SAFE branch for any major change in respect of the Offshore SPV, including, among other things, any major change of a PRC Resident shareholder, name or term of operation of the Offshore SPV, or any increase or reduction of the Offshore SPV’s registered capital, share transfer or swap, merger or division. Failure to comply with the registration procedures of SAFE Circular No. 37 may result in penalties and sanctions, including the imposition of restrictions on the ability of the Offshore SPV’s Chinese subsidiary to distribute dividends to its overseas parent.

As SAFE Circular No. 37 was recently promulgated, it is unclear how this regulation and any future regulation concerning offshore or cross-border transactions will be interpreted, amended or implemented by the relevant government authorities. We cannot predict how these regulations will affect our business operations or future strategies. As of the Latest Practicable Date, to the best knowledge of our Directors, our PRC Resident Shareholders with offshore investments in our Group had registered with SAFE as to their offshore investments in accordance with Circular No. 37. Any failure by our PRC Resident Shareholders or beneficial owners to make the registrations or updates with SAFE may subject the relevant PRC Resident shareholders or beneficial owners to penalties, restrict our overseas or cross-border investment activities, limit our Chinese subsidiaries’ ability to make distributions or pay dividends, or affect our ownership structure and capital inflow from our offshore subsidiaries. As such, our business, financial condition, results of operations and liquidity as well as our ability to pay dividends or make other distributions to our shareholders may be materially and adversely affected.

Current Chinese regulations on loans provided by, and foreign direct investment by, an offshore holding company to Chinese companies may delay or prevent us from using the proceeds from the Global Offering to fund our business operations in China.

Any loans or capital contributions that we, as an offshore entity, make to our Chinese subsidiaries that are foreign-invested enterprises, including with the proceeds of the Global Offering, are subject to Chinese laws and regulations. Foreign-invested enterprises must register with SAFE or its local counterpart in order to obtain shareholder loans from the foreign investors. The aggregate amount of these foreign loans must not exceed statutory limits. Furthermore, the foreign-invested enterprises must register with SAFE or its local counterpart for repayment of the foreign loans. In addition, foreign investors must obtain approvals from MOFCOM or its local counterpart and register with SAIC or its local counterpart to make capital contributions to the foreign-invested enterprises. We cannot assure you that we can obtain the required government approvals or registrations on a timely basis, or at all, with respect to loans or capital contributions that we may make to our Chinese subsidiaries. If we fail to obtain the approvals or registrations, our ability to use the proceeds from the Global Offering to fund our operations in China would be negatively affected, which would materially and adversely affect our liquidity and our ability to expand our business.

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Government control of currency conversion and fluctuation in the exchange rates of the Renminbi may adversely affect our business and results of operations and our ability to remit dividends.

Substantially all of our revenue and operating costs are denominated in Renminbi. The Chinese government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. Under existing Chinese foreign exchange regulations, payments of current account items, including dividend payments, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from SAFE is required for foreign currency conversions for payment under capital account items such as equity investments. The Chinese government may also at its discretion restrict our access in the future to foreign currencies for current account transactions. Under our current corporate structure, our revenue is primarily derived from dividend payments from our Chinese subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our Chinese subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency-denominated obligations. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. In addition, since a significant amount of our future cash flows from operations will be denominated in Renminbi, any existing and future restrictions on currency exchange may limit our ability to purchase goods and services outside of China or otherwise fund our business activities that are conducted in foreign currencies.

The exchange rates of the Renminbi against foreign currencies, including the Hong Kong dollar, are affected by, among other things, changes in China's political and economic conditions. Any fluctuations in exchange rates of the Renminbi against the U.S. dollar, Euro or other foreign currencies may cause our costs for importing raw materials and equipment and our revenue from exporting our food and beverage products to be volatile. In addition, to the extent that we need to convert Hong Kong dollars that we will receive from the Global Offering into Renminbi for our operations, appreciation of Renminbi against the Hong Kong dollar would have an adverse effect on the Renminbi amount that we will receive. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making dividend payments on our Shares or for other business purposes appreciation of the Hong Kong dollar against Renminbi would reduce the Hong Kong dollar amount available to us.

You may encounter difficulty in effecting service of legal process upon us, our Directors and senior management and enforcing foreign judgments against us, our Directors and senior management.

We are a company incorporated in the Cayman Islands with substantial assets located within China. Most of our Directors and senior management reside in China and a majority of their assets are within China. As a result, it may not be possible for you to effect service of legal process within China on us or our Directors or senior management.

Judgments of courts of another jurisdiction may be reciprocally recognized or enforced if the jurisdiction has a treaty on that with China. Currently, China does not have treaties providing for the reciprocal enforcement of judgments of courts with Japan, the United States, the United Kingdom or

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most other western countries. On July 14, 2006, Hong Kong and China entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (the “Arrangement”), pursuant to which reciprocal recognition and enforcement of the judgment may be possible between these two jurisdictions provided that the judgment is rendered by a final court of these two jurisdictions and the parties has a expressly written choice of court. It may be difficult or impossible for you to enforce judgment between these jurisdictions if you have not agreed on sole jurisdiction with the other party. In addition, Hong Kong has no arrangement for reciprocal enforcement of judgments with the United States and certain other jurisdictions. As a result, you may encounter difficulty in enforcing foreign judgments against us or our directors or senior management.

RISKS RELATING TO THE GLOBAL OFFERING

As there has been no prior public market for our Shares, their market price may be volatile and an active trading market in our Shares may not develop.

Prior to the Global Offering, there was no public market for our Shares. The Offer Price of our Shares is the result of negotiations among us, the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters), and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. There is no guarantee that an active trading market for our Shares will develop, or, if it does develop, that it will sustain or that the market price of our Shares will not decline after the Global Offering.

The market price and trading volume of our Shares may be volatile, which may result in substantial losses for investors in our Shares.

The price and trading volume of our Shares may fluctuate widely in response to factors beyond our control. The factors that could cause significant market price change include but do not limit to the following:

- changes in our results of operations, earnings and cash flows, and securities analysts’ estimates of our financial performance;
- changes in competitive landscapes of our industries, including strategic alliances, acquisitions or joint ventures by us or our competitors;
- changes in general economic conditions affecting us or our industries;
- regulatory developments, and our inability to obtain or renew necessary licenses and permits;
- changes in our senior management;
- fluctuations of the general stock market, particularly fluctuations in stock prices of other companies that operate mainly in China and are listed on the Stock Exchange; and

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- material litigation or regulatory investigations affecting us or our senior management.

There will be a time gap of several business days between pricing and trading of our Shares offered under the Global Offering. The market price of the Shares after trading begins could be lower than the Offer Price.

The Offer Price of our Shares will be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be several Business Days after the Price Determination Date. Investors are unlikely to be able to sell or otherwise deal in our Shares before they commence trading. Accordingly, holders of our Shares are subject to the risk that the price of our Shares after trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse development that may occur between the Price Determination Date and the time trading begins.

Control by our Controlling Shareholders of a substantial percentage of our Company's share capital after the completion of the Global Offering may limit your ability to influence the outcome of decisions requiring the approval of Shareholders and the interests of our Controlling Shareholders may not be aligned with those of our other Shareholders.

Upon the completion of the Global Offering, approximately 85% of our Shares will be held by our Controlling Shareholders, assuming that the Over-allotment Option is not exercised. After the completion of the Global Offering, our Controlling Shareholders will continue to have significant influence on us on various important corporate actions requiring the approval of Shareholders, such as mergers, disposal of assets, election of Directors, and timing and amount of dividends and other distributions. There may be a conflict between our Controlling Shareholders' interests and your interests. Control by our Controlling Shareholders of a substantial percentage of our Shares may have the effect of delaying, discouraging or preventing a change in control of us, which may deprive you of opportunities to receive premiums for your Shares and may reduce the price of the Shares. If our Controlling Shareholders cause us to pursue strategic objectives that would conflict with your interests, you may also be left in a disadvantaged position.

Future sales or major divestment of our Shares by any of our Controlling Shareholders or pre-IPO investor, or the cornerstone investors could adversely affect the prevailing market price of our Shares.

The market price of our Shares may be adversely affected by future sales of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders or CDH Delicacy or the cornerstone investors. The Shares held by our Controlling Shareholders, CDH Delicacy and the cornerstone investors are subject to certain lock-up arrangements; please see the sections headed "Underwriting—Underwriting Arrangements and Expenses—Lock-up" and "Cornerstone Investors—Restrictions on the Disposal of Shares by the Cornerstone Investors" in this prospectus for a detailed description of the restrictions. After the restrictions of the lock-up arrangements expire, our Controlling Shareholders, CDH Delicacy, and the cornerstone investors may dispose of our Shares. Sales of a substantial amount of our Shares could adversely affect the market price of our Shares, which could negatively affect our ability to raise equity capital.

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Our future financing may cause dilution of your shareholding or place restrictions on our operations.

In order to raise capital and expand our business, we may consider offering and issuing additional Shares or other securities convertible into or exchangeable for our Shares in the future other than on a pro rata basis to our then existing Shareholders. As a result, the shareholdings of those Shareholders may experience dilution in net asset value per Share. If additional funds are to be raised through debt financing, certain restrictions may be imposed on our operations, which may:

- further limit our ability or discretion to pay dividends;
- increase our risks in adverse economic conditions;
- adversely affect our cash flows; or
- limit our flexibility in business development and strategic plans.

You will experience immediate and substantial dilution in the book value of your investment as a result of the Global Offering.

The Offer Price of our Shares is higher than our net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares will experience an immediate dilution in pro forma net tangible book value per Share. Our existing Shareholders will, however, receive an increase in pro forma net tangible book value per Share with respect to their Shares. In addition, if the Joint Global Coordinators exercise the Over-allotment Option, holder of our Shares may experience further dilution.

There is no assurance that whether and when we will pay dividends. Dividends declared in the past may not be indicative of our dividend policy in the future.

We cannot guarantee when, if or in what form and amount dividends will be paid on our Shares following the Global Offering. Distribution of dividends must be proposed by our Board and is subject to a number of factors, including the results of operations, cash flows, financial situation and capital expenditure requirements of our Group, distributable profits of our subsidiaries and dividends they pay to us, our future plans and business prospects, market conditions, our Articles of Association, regulatory restrictions and our contractual obligations. As a result, our historical dividend distributions are not indicative of dividends that we may pay in the future. See section headed “Financial Information—Dividend Policy” of this prospectus for further details of our dividend policy.

Certain facts, forecasts and other statistics contained in this prospectus are obtained from government sources and other third parties and may not be accurate or reliable, and statistics in the prospectus provided by Frost & Sullivan are subject to assumptions and methodologies set forth in the “Industry Overview” section of this prospectus.

In this prospectus, certain facts, forecasts and other statistics concerning China, its economic conditions and the industries are derived from publications of Chinese government agencies or industry associations, or an industry report commissioned by us. Although we have taken reasonable care

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in extracting those facts, forecasts and statistics, they have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering. We cannot assure you that those facts, forecasts and statistics are accurate and reliable. We cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy in other jurisdictions. You should consider carefully that how much weight you should place on those facts, forecasts and statistics.

This prospectus contains forward-looking statements relating to our plans, objectives, expectations and intentions, which may not represent our overall performance for periods of time to which such statements relate.

This prospectus contains certain future plans and forward-looking statements about us that are made based on the information currently available to our management. The forward-looking information contained in this prospectus is subject to certain risk and uncertainties. Whether we implement those plans, or whether we can achieve the objective described in this prospectus, will depend on various factors including the market conditions, our business prospects, actions by our competitors and the global financial situations.

You may experience difficulties in enforcing your shareholder rights because we incorporated in the Cayman Islands, and the Cayman Islands law is different from the laws of Hong Kong and other jurisdictions in terms of minority shareholder's prospection.

We are an exempted company incorporated in the Cayman Islands with limited liability. Cayman Islands law differs in some respects from the laws of Hong Kong and other jurisdictions where investors may be located. Our corporate affairs are governed by our Memorandum and Articles of Association, the Cayman Companies Law and the common law of the Cayman Islands. The rights of our Shareholders to take legal actions against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedents in the Cayman Islands, and from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under the Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law. As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or Controlling Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions.

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Investors should read the entire prospectus carefully and should not place any reliance on any information contained in press articles or other media in making your investment decision.

Prior or subsequent to the publication of this prospectus, there may have been press and media coverage regarding us and the Global Offering, which includes certain information about us that does not appear in, or is different from what is contained in, this prospectus. We have not authorized the disclosure of any such information in the press or media. The financial information, financial projection, valuation and other information about us contained in such unauthorized press or media coverage may not truly reflect what is disclosed in the prospectus or the actual circumstances. We do not accept any responsibility for such unauthorized press and media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information. To the extent that any information appearing in the press and media is inconsistent or conflict with the information contained in this prospectus, we disclaim it. Investors should rely only on the information contained in this prospectus in making investment decision.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules. Rule 3.28 of the Listing Rules provides that an issuer must appoint as its company secretary an individual who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

We have appointed Mr. Tu Zhiqian and Ms. Cheng Pik Yuk as joint company secretaries. Ms. Cheng is a chartered secretary and a fellow of both of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and therefore meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

Mr. Tu joined our Group in 2007 as the general counsel of our Group and starting from June 2008, he was also appointed the deputy director of the administration, human resources and general management. By virtue of Mr. Tu's experience and familiarity with our Group, our Company believes Mr. Tu is capable of discharging the duties as a joint company secretary of our Company and is a suitable person to act as a joint company secretary of our Company. Further, given that its main operation is in the PRC, our Company believes that it would be in the best interests of our Company and its corporate governance to have Mr. Tu with the relevant background and experience in the PRC to act as its joint company secretary. Since Mr. Tu does not possess all the academic and professional qualifications required of a company secretary under Note 1 to Rule 3.28 of the Listing Rules, we have sought and obtained from the Stock Exchange a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules such that Ms. Cheng Pik Yuk may be appointed as our joint company secretary. The waiver has been granted for a 3-year period on the condition that we engage Ms. Cheng as a joint company secretary to assist Mr. Tu in discharging his duties and responsibilities as a joint company secretary of a Hong Kong listed company and in gaining the relevant experience as required under Rule 3.28 of the Listing Rules. Such waiver will be revoked immediately if and when Ms. Cheng ceases to provide such assistance. At the end of the 3-year period, we must liaise with the Stock Exchange which will re-visit the situation in the expectation that we should then be able to demonstrate to the satisfaction of the Stock Exchange that Mr. Tu, having had the benefit of Ms. Cheng's assistance for three years, would have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

Please see the section headed "Directors and Senior Management—Senior Management" in this prospectus for further details about Mr. Tu's qualifications.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since we have our headquarters and principal operations in the PRC, the executive Directors have been and are expected to continue to be based in the PRC.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In order to maintain effective communication with the Stock Exchange, we will put in place the following measures in order to ensure that regular communication is maintained between the Stock Exchange and us:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Ms. Xu Yangyang and Ms. Cheng Pik Yuk;
- (b) each of the authorized representatives will have all necessary means to contact all the Directors promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters;
- (c) all the Directors who are not ordinarily resident in Hong Kong have or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to meet with the Stock Exchange upon reasonable notice;
- (d) our Company will retain a Hong Kong legal advisor to advise on matters relating to the application of the Listing Rules and other applicable Hong Kong laws and regulations after Listing;
- (e) Guotai Junan Capital Limited, our compliance advisor, will act as an additional channel of communication with the Stock Exchange; and
- (f) each Director will provide his or her mobile phone number, office phone number, e-mail address and fax number to the Stock Exchange.

Please see the section headed “Directors and Parties Involved in the Global Offering” in this prospectus for further details about other channels of communication with the Stock Exchange.

WAIVER IN RELATION TO PUBLIC FLOAT REQUIREMENTS

Rule 8.08(1)(a) of the Listing Rules requires that at least 25% of the issuer’s total issued share capital must at all times be held by the public. We expect to achieve a minimum market capitalization of at least HK\$10 billion upon Listing and have applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of 15% for us.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

The above discretion is subject to the condition that we comply with the disclosure requirements under Rule 8.08(1)(d) of the Listing Rules. The Joint Sponsors and we shall be able to demonstrate compliance with Rules 8.08(2) and 8.08(3) of the Listing Rules. We will make appropriate disclosure of the lower prescribed percentage of public float and confirm sufficiency of the public float in our successive annual reports after the Listing. In addition, we will implement appropriate measures and mechanisms to ensure continual maintenance of 15% public float (or a higher percentage upon completion of the exercise of the Over-allotment Option from time to time). In the event that the public float percentage falls below the minimum percentage prescribed by the Stock Exchange, our Directors and our Controlling Shareholders will take appropriate steps which may include a further issue of Shares and/or placing some Shares by the Controlling Shareholders (or his/its associates) to independent third parties, to ensure the minimum percentage of public float prescribed by the Stock Exchange is complied with. We will continue to comply with Rules 8.08(2) and 8.08(3) of the Listing Rules upon the Listing.

WAIVER IN RELATION TO CLAWBACK MECHANISM

Under Paragraph 4.2 of Practice Note 18 to the Listing Rules, where an initial public offering includes both a placing tranche and a public subscription tranche, the minimum allocation of shares to the public subscription tranche shall be an initial allocation of 10% of the shares offered in the initial public offering and subject to a clawback mechanism that increases the number of shares available in the public subscription tranche depending on the demand for those shares as set out in the paragraph.

We have applied to the Stock Exchange for, and the Stock Exchange has granted us a waiver from strict compliance with Paragraph 4.2 of Practice Note 18 to the Listing Rules such that in the event of over-subscription, an alternative clawback mechanism shall be applied to the provisions under Paragraph 4.2 of Practice Note 18 of the Listing Rules, following the closing of the application lists. Please see the section headed “Structure of the Global Offering—The Hong Kong Public Offering—Reallocation” in this prospectus for further details of such clawback mechanism.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTION

We have entered into, and are expected to continue, a transaction which will constitute a non-exempt continuing connected transaction of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to such continuing connected transaction between us and certain connected persons under Chapter 14A of the Listing Rules. Please see the section headed “Connected Transaction” in this prospectus for further details of these transactions.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

The Listing is sponsored by the Joint Sponsors. We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option).

No part of our Company's share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the Stock Exchange are expected to commence on Friday, November 20, 2015. The Shares will be traded in board lots of 500 Shares each. The stock code of the Shares will be 3799.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

HONG KONG REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our Principal Share Registrar, Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.81929 to HK\$1.00
RMB6.3495 to US\$1.00
HK\$7.7500 to US\$1.00

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Residential Address	Nationality
Executive Directors		
Mr. Xu Shihui (許世輝)	No.777 Century Avenue Luocheng Town Hui'an Fujian Province PRC	Chinese
Mr. Zhuang Weiqiang (莊偉強)	No. 441 Hongxing Street Xinhe Town Hanchuan Hubei Province PRC	Chinese
Ms. Xu Yangyang (許陽陽)	No.777 Century Avenue Luocheng Town Hui'an Fujian Province PRC	Chinese
Non-executive Directors		
Ms. Xu Biying (許碧英)	No. 7 Nanpu Road Luocheng Town Hui'an Fujian Province PRC	Chinese
Ms. Hu Xiaoling (胡曉玲)	Flat 2607, Block 75 West Lane, Balizhuang Chao Yang District Beijing PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Name	Residential Address	Nationality
Independent Non-executive Directors		
Mr. Cheng Hanchuan (程漢川)	1504, No. 6 Guanghai Xinjing Huating Jianshe Street Luocheng Town Hui'an Fujian Province PRC	Chinese
Mr. Liu Xiaobin (劉小斌)	Room 901, Block 18 Dongfang Xincheng Xiang Fu Yi Li, Xiang An District Xiamen PRC	Chinese
Dr. Lin Zhijun (林志軍)	Flat G, 27/F., Block 11, Royal Ascot Lok Shun Path Shatin Hong Kong	Chinese

Please see “Directors and Senior Management” in this prospectus for further details regarding our Directors.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Joint Sponsors

Merrill Lynch Far East Limited
55/F Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Morgan Stanley Asia Limited
Level 46 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Global Coordinators and Joint Bookrunners

Merrill Lynch International
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley Asia Limited
Level 46 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Lead Managers

Merrill Lynch Far East Limited (in relation to the
Hong Kong Public Offering)
55/F Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Merrill Lynch International (in relation to the
International Offering)
2 King Edward Street
London EC1A 1HQ
United Kingdom

Morgan Stanley Asia Limited
Level 46 International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Reporting accountants

Ernst & Young
Certified Public Accountants
22nd Floor, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Legal advisors to our Company

As to Hong Kong and U.S. laws:
Cleary Gottlieb Steen & Hamilton (Hong Kong)
37th Floor, Hysan Place
500 Hennessy Road
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34th Floor, Tower 3, China Central Place
77 Jianguo Road
Chaoyang District
Beijing, 100025
PRC

As to Cayman Islands law:
Maples and Calder
53rd Floor, The Center
99 Queen's Road Central
Hong Kong

Legal advisors to the Underwriters

As to Hong Kong and U.S. laws:
Shearman & Sterling
12th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
King & Wood Mallesons
28th Floor, Landmark
4028 Jintian Rd.
Futian District
Shenzhen, PRC

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Industry consultant

Frost & Sullivan
Suite 2802-2803, Tower A
Dawning Center
500 Hongbaoshi Road
Shanghai
PRC

Receiving bank

Bank of China (Hong Kong) Limited
1 Garden Road
Hong Kong

CORPORATE INFORMATION

Registered office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Head office in the PRC	Zishan, Linkou, Hui'an, Fujian province, PRC
Principal place of business in Hong Kong	Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Company's website	http://www.dali-group.com (The information on the website does not form part of this prospectus)
Joint Company Secretaries	<p>Mr. Tu Zhiqian (涂志潜) Zishan, Linkou, Hui'an, Fujian province, PRC</p> <p>Ms. Cheng Pik Yuk (鄭碧玉) Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong</p> <p><i>Chartered secretary and a fellow member of both of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom</i></p>
Authorized representatives	<p>Ms. Xu Yangyang (許陽陽) Zishan, Linkou, Hui'an, Fujian province, PRC</p> <p>Ms. Cheng Pik Yuk (鄭碧玉) Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong</p>
Audit Committee	<p>Dr. Lin Zhijun (林志軍) (Chairman) Ms. Hu Xiaoling (胡曉玲) Mr. Cheng Hanchuan (程漢川)</p>

CORPORATE INFORMATION

Nomination Committee	Mr. Xu Shihui (許世輝) (Chairman) Mr. Liu Xiaobin (劉小斌) Mr. Cheng Hanchuan (程漢川)
Remuneration Committee	Dr. Lin Zhijun (林志軍) (Chairman) Ms. Xu Yangyang (許陽陽) Mr. Liu Xiaobin (劉小斌)
Principal Share Registrar	Maples Fund Service (Cayman) Limited PO Box 1093, Boundary Hall Cricket Square, Grand Cayman KY1-1102, Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712—1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Compliance advisor	Guotai Junan Capital Limited 27/F, Low Block Grand Millennium Plaza 181 Queen's Road Central Hong Kong
Principal banks	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong Industrial Bank Co., Ltd. 39/F, ICBC Tower Citibank Plaza 3 Garden Road, Central Hong Kong

INDUSTRY OVERVIEW

The information presented in this section, unless otherwise indicated, is derived from various official government publications and other publications and from the market research report prepared by Frost & Sullivan, which was commissioned by us. We believe that the information has been derived from appropriate sources and we have taken reasonable care in extracting and reproducing the information. We have no reason to believe that the information is false or misleading in any material respect or that any fact has been omitted that would render the information false or misleading in any material respect. The information has not been independently verified by us, the Joint Sponsors or any of our or their respective directors, officers or representatives or any other person involved in the Global Offering nor is any representation given as to its accuracy or completeness. The information and statistics contained in this section may not be consistent with other information and statistics compiled within or outside of China.

REPORT COMMISSIONED FROM FROST & SULLIVAN

We commissioned Frost & Sullivan, an independent market research and consulting company, to conduct an analysis of, and to prepare a report on, China's snack food and non-alcoholic beverage market for the period from 2009 to 2019. The report prepared by Frost & Sullivan for us is referred to in this prospectus as the Frost & Sullivan Report. We agreed to pay Frost & Sullivan a total fee of RMB1.15 million, which we believe reflects market rates for reports of this type. Founded in 1961, Frost & Sullivan has 40 offices with more than 2,000 industry consultants, market research analysts, technology analysts and economists globally. It conducts industry research among other services. Frost & Sullivan has been covering the Chinese market from its offices in China since the 1990s. Its industry coverage in China includes material and food, consumer products, among others.

We have included certain information from the Frost & Sullivan Report in this prospectus because we believe this information facilitates an understanding of China's snack food and non-alcoholic beverage market for prospective investors. The Frost & Sullivan Report includes information on China's snack food and non-alcoholic beverage market as well as other economic data, which have been quoted in this prospectus. Frost & Sullivan's independent research consists of both primary and secondary research obtained from various sources in the Chinese snack food and non-alcoholic beverage industry. Primary research involved in-depth interviews with leading industry participants and industry experts. Secondary research involved reviewing company reports, independent research reports and data based on Frost & Sullivan's own research database. Projected data were obtained from historical data analysis plotted against macroeconomic data with reference to specific industry-related factors. On this basis, our Directors are satisfied that the disclosure of future projections and industry data in this section is not biased or misleading. We believe that the sources of this information are appropriate sources for the information and we have taken reasonable care in extracting and reproducing this information. We have no reason to believe that this information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect.

Except as otherwise noted, all of the data and forecasts contained in this section have been derived from the Frost & Sullivan Report, various official government publications and other publications.

INDUSTRY OVERVIEW

In compiling and preparing the research, Frost & Sullivan assumed that the China's economy is likely to maintain steady growth in the next decade; the social, economic and political environment in the relevant markets are likely to remain stable in the forecast period, and that market drivers such as consumers' rising purchasing power, consumers' increasing awareness of health, consumers' upgrading consumption and other key drivers are likely to drive the Chinese snack food and non-alcoholic beverage market during the forecast period. In addition, according to Frost & Sullivan, the bases and assumptions for the forecast CAGR and trends of the various sectors of the Chinese snack food and non-alcoholic beverage market contained herein mainly include the following:

General Bases and Assumptions

- Projected market size for each sector is obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.
- The forecast of various market sectors is based on the general assumption for prospects on China's macro economy as follows: according to International Monetary Fund, China's nominal GDP is expected to increase from RMB63.65 trillion in 2014 to RMB93.32 trillion in 2019 representing a CAGR of 8.0% during the forecast period.

Bread, Cakes and Pastries Market

- The target base of packaged bread, cakes, and pastries products is expanding as their role is being diversified, not only being a kind of snack food but also a meal substitute that could be consumed in many diverse occasions.
- Manufacturers constantly innovate and enhance their product portfolios, as a further encouragement of the transition in the market landscape.
- Technology innovation and upgrade in the production process facilitates enhancement in the nutritious goodness of packaged bread, cakes, and pastries, attracting more health-conscious consumers.

Biscuits Market

- Biscuit is a traditional snack food category in the China market with a large and relatively stable consumer base underlying the steady growth for various sectors like plain biscuits, sandwich biscuits, and etc.
- The biscuit snacks segment is expected to observe promising growth given its wide spectrum of variation in both physical form and flavor.
- More emerging and promising products widely accepted by Chinese consumers are likely to continue to be launched, generated by product innovation and upgrading product portfolio of major participants.

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Potato Snacks Market

- An increasing number of consumers in the lower tier cities are likely to develop the habit of consuming the products of potato snacks in the future. Moreover, consumers in the top tier cities are willing to consume an increasing ratio of premium potato snack products of higher price produced by branded manufacturers.
- A number of leading potato snacks manufacturers continue to launch new products with diversified tastes. Meanwhile, manufacturers aim at developing various packaging of potato snacks for different consumers based on their respective sales channels and consumers' preferences.
- In comparison with other segments, the potato snacks market is more concentrated. The large manufacturers are able to lead the market growth. Therefore, the potato snacks market is expected to undergo further development driven by healthy competition among the leading potato snacks giants by way of differentiating market strategies, sales channels and product lines.

Plant-based Beverage Market

- Chinese consumers' growing demand for low calorie, no artificial ingredients, and protein-rich products is likely to continue to drive the market growth. Plant-based beverage provides vegetable protein or mixed proteins (both animal and vegetable protein) which cater for people's rising demand for a healthy lifestyle.
- Sustained product innovation, using new types of plants, is a key feature of the plant-based beverage market.
- Attracted by the growth potential of this market, a rising number of leading food and beverage companies are likely to enter this market.

Herbal Tea Beverage Market

- A large amount of herbal tea is consumed through the catering channel. China's catering market is expected to have a steady growth, driven by the improving urbanization and living standards. Accordingly, consumption of herbal tea in this channel is also likely to enjoy a strong growth, fueling the development of the overall herbal tea market.
- Chinese consumers are more likely to choose healthy products which could bring benefits to human body due to their increasing concerns about healthy lifestyles. Accordingly, herbal tea, as a typical type of beverage made from traditionally natural and healthy plants like honeysuckle, mesona, are expected to gain popularity.
- New types of packaging like large-can, PET-bottled products introduced to the market in recent years are expected to continue to drive the market growth.

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Energy Drink Beverage Market

- With the rising urbanization rate, people's living tempo is accelerating. People are more likely to work overtime and face increasing pressure in life. Accordingly, a rising number of people are expected to choose energy drinks as a form of beverage, which can help people alleviate physical fatigue.
- The quick rise of emerging specialty channels like KTV, clubs as well as extending transportation networks is likely to engine the growth of energy drink sector.
- Packaging innovation of PET-bottled products help manufacturers reduce production cost and also make the products easy to carry and hence welcomed by consumers.

CHINA PACKAGED FOOD AND NON-ALCOHOLIC BEVERAGE INDUSTRY OVERVIEW

Overview of Packaged Food and Snack Food Market in China

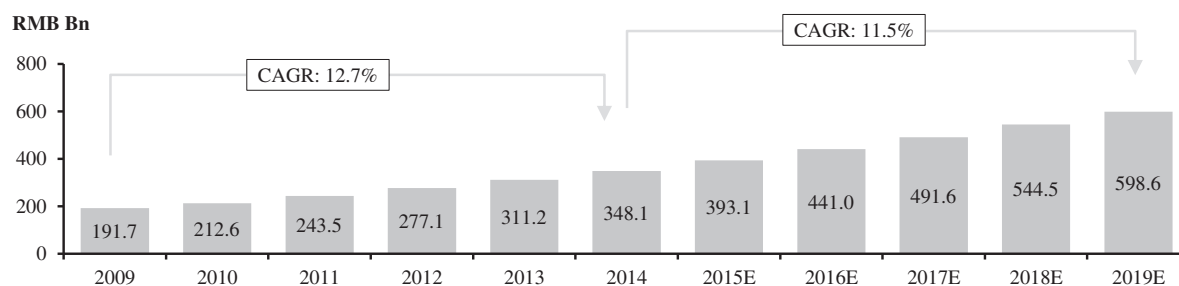
China is one of the largest packaged food markets in the world. The rapid growth of the packaged food industry in China has been driven largely by robust economic growth, continued urbanization and rising disposable income. Moreover, with enhanced availability and varieties of packaged food products, Chinese consumer's appetite for packaged food has been whetted. In the period of 2009 to 2014, total retail sales value of packaged food in China grew at a CAGR of 11.4% to RMB1,554.4 billion in 2014, and is expected to reach RMB2,417.5 billion in 2019, representing a CAGR of 9.2% from 2014 to 2019.

The packaged food market could generally be divided into snack food, dairy products, instant foods, condiments and fermented goods, canned food and other packaged food. Snack food refers to packaged food products that are usually consumed and eaten between meals, such as confectionery and preserves, bread, cakes and pastries, biscuits, rice crackers and others, potato snacks, roasted seeds and nuts, and others.

China's snack food market was the largest subcategory among the packaged food market in China as of 2014 and achieved the highest growth rate among all subcategories from 2009 to 2014. According to Frost & Sullivan, China's snack food market grew from RMB191.7 billion in 2009 to RMB348.1 billion in 2014, representing a CAGR of 12.7% for the same period, and is expected to reach RMB598.6 billion in 2019, representing a CAGR of 11.5% from 2014 to 2019. The snack food market in China is still in a fast growth stage driven by continuous income growth, product innovation and product upgrades as well as deeper penetration of snack food across the country.

INDUSTRY OVERVIEW

2009-2019E China's Snack Food Market Size By Retail Sales Value



Source: Frost & Sullivan Report

	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Confectionery and Preserves	66.2	119.4	196.6	12.5%	10.5%
Bread, Cakes and Pastries	29.1	55.2	102.4	13.6%	13.1%
Biscuits.....	30.4	53.1	87.7	11.8%	10.5%
Rice Crackers and Others.....	19.2	36.5	64.5	13.7%	12.0%
Potato Snacks.....	9.7	20.2	42.0	15.9%	15.7%
Roasted Seeds and Nuts	15.0	25.5	40.8	11.2%	9.9%
Others	22.1	38.2	64.6	11.4%	11.1%

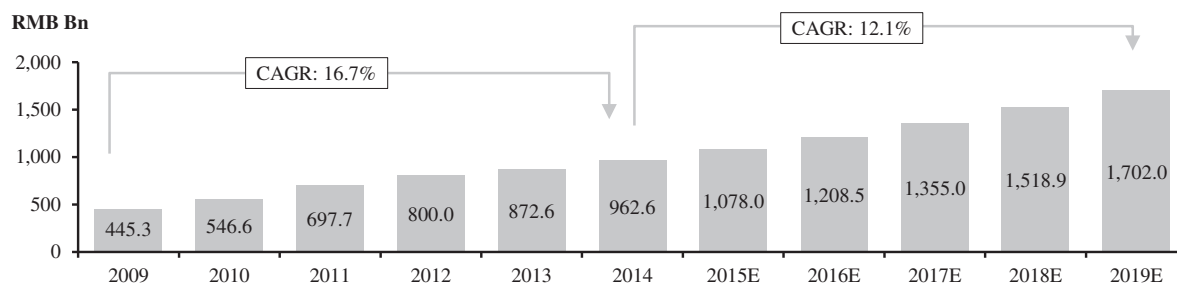
Source: Frost & Sullivan Report

Overview of Non-alcoholic Beverage Market in China

Major categories of non-alcoholic beverage include fruit and vegetable juice, bottled water, milk beverage, carbonated beverage, plant-based beverage, solid drinks, herbal tea, ready-to-drink tea, energy drinks, sports drinks and other beverages. The retail sales value of China's non-alcoholic beverage market increased rapidly in recent years at a CAGR of 16.7% from 2009 to 2014 and reached RMB962.6 billion in 2014. Among all the subsectors, on-trend categories including energy drinks, plant-based beverage and herbal tea had highest annual growth from 2009 to 2014 among all subsectors, which were 31.6%, 23.8% and 22.7% respectively, mainly driven by evolving lifestyle of Chinese people and increasing health consciousness.

INDUSTRY OVERVIEW

2009-2019E China's Non-alcoholic Beverage Market Size By Retail Sales Value



Source: Frost & Sullivan Report

	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Fruit and Vegetable Juice	97.1	200.4	359.9	15.6%	12.4%
Bottled Water	76.5	182.6	346.2	19.0%	13.7%
Milk Beverage	38.8	103.8	190.6	21.8%	12.9%
Carbonated Beverage	98.8	139.4	169.0	7.1%	3.9%
Plant-based Beverage	24.0	69.6	160.8	23.8%	18.2%
Solid Drinks	33.5	78.2	125.0	18.5%	9.8%
Herbal Tea	18.3	50.9	104.3	22.7%	15.4%
Ready-to-drink Tea	39.0	77.6	104.0	14.7%	6.0%
Energy Drinks	9.6	37.8	101.3	31.6%	21.8%
Sports Drinks	7.0	16.1	31.4	18.3%	14.2%
Other Beverages	2.7	6.2	9.5	18.1%	8.9%

Source: Frost & Sullivan Report

KEY GROWTH DRIVERS OF THE SNACK FOOD AND NON-ALCOHOLIC BEVERAGE INDUSTRY IN CHINA

Rising Purchasing Power with Growing Brand Loyalty

The per capita disposable income of urban households in China increased from RMB17,175 in 2009 to RMB28,844 in 2014 with a CAGR of 10.9%. Meanwhile, the per capita disposable income of rural households in China grew from RMB5,153 in 2009 to RMB9,892 in 2014 with a CAGR of 13.9%, according to the National Bureau of Statistics. Rising personal income of urban and rural households has contributed to the growth in consumption and retail sales of snack food and beverage in China. From 2009 to 2014, the per capita expenditure on snack food increased from RMB143.7 to RMB254.5, representing a CAGR of 12.1%. Over the same period, the per capita expenditure on non-alcoholic beverage increased from RMB333.6 to RMB703.7, representing a CAGR of 16.1%.

Therefore, Chinese consumers are increasingly seeking higher quality food and beverage products and opting for renowned brands which they perceive to have superior product quality. As such, leading snack food and beverage companies continue to focus on brand building and meeting specific customer needs to gain consumer trust and create value.

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Increasing Focus on Health and Wellness as well as Convenience

Driven by increased consumer awareness of healthy eating and growing demand for health and nutrition, health and wellness food and beverages such as fiber and nut biscuits, snack food with fewer calories, less fat or more natural ingredients, plant-based beverage, herbal tea, energy drinks, and sports drinks are becoming more popular in China. With rising disposable income and more choices available in the market, increasing number of Chinese consumers started to pay attention to the nutritional contents of the food and beverage products they consumed. Moreover, consumers are increasingly focusing on health benefits and functionality of the beverage products. Herbal tea that is perceived to help digestion and remove heat from body has been widely accepted in China. The sales of plant-based beverage such as peanut milk and walnut milk also saw a rapid growth in the past few years as consumers are attaching more importance to products with healthy and natural ingredients.

In addition, as Chinese consumer lifestyles become increasingly urbanized and fast paced, packaged snack food and non-alcoholic beverage which could be conveniently consumed have also become more popular. Aside from satisfying hunger, consumers now occasionally consume products like biscuits and baked goods as a meal replacement and enjoy such products which help to improve their mood, relieve stress and satisfy a craving.

Continuous Product Innovation

To meet rapidly changing consumer preferences and tastes, snack food and non-alcoholic beverage companies focus on launching new product categories or extending existing brand lines with new products, new flavors or packaging. Chinese brands proactively introduce on-trend products like energy drinks, sports drinks, and plant-based beverages to China with local adaptations. Leading brands also launch products with differentiated packaging such as PET bottle for herbal tea and energy drinks to adapt to consumer preferences including demand for convenience and enhanced brand appeal. These new product innovations help build brand loyalty, differentiate from competitors and hence drive sales growth.

Increasing Food Safety Awareness

Rising concern regarding food safety has prompted consumers to focus on ingredients, product quality and brand reputation aside from unit price in selecting food and beverage products. The Chinese government is also enhancing the food safety control across the country and implementing more stringent food safety laws to protect consumers' interest. Traditionally, Chinese consumers regarded foreign brands as safer than domestic brands but a series of food safety scandals linked to foreign brands in recent years have raised consumer doubts. As such, leading Chinese brands capitalize on this opportunity and increasingly offer greater transparency with regard to the production process, provenance and ingredients of products to gain consumer trust and hence market share.

INDUSTRY OVERVIEW

Evolving Distribution Channels while Traditional Trade still Dominates

The rapid development and increased penetration of modern chained stores in China have made snack food and beverage products more accessible to the mass market. In particular, the ongoing penetration of modern chain stores, especially in urban areas, has made food and beverage consumption more convenient and affordable and are the main driver for future industry growth in top-tier cities. Meanwhile, the traditional trade channel will remain as the primary channel for snack food and beverage industry in China especially in lower-tier cities and rural areas. Driven by the large Internet and mobile user base, sales of snack food and beverage in e-commerce channel have increased dramatically in the past five years. Moreover, the improved logistics network in China and the simple and convenient shopping experience online have further fueled growth of the e-commerce channel. According to Frost & Sullivan, the e-commerce channel in China is expected to contribute 6.3% and 5.8% of snack food and non-alcoholic beverage retail sales in 2019 respectively. With the quickening pace of life and increased purchasing power, more and more Chinese people eat out and consume beverage products. As a result, catering channel has becoming increasingly important for snack food and non-alcoholic beverage manufacturers in China.

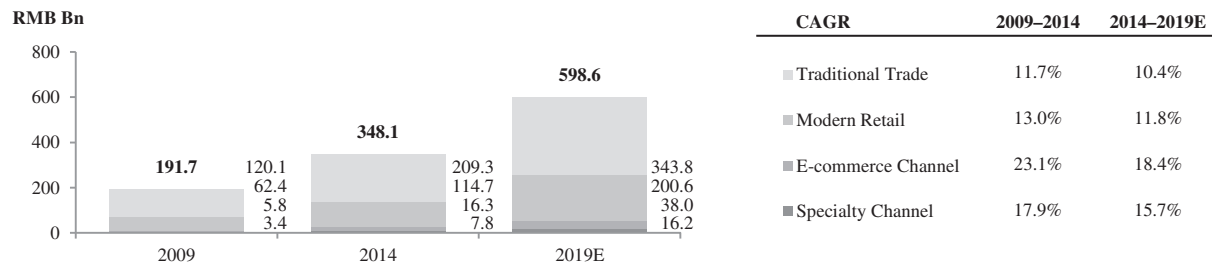
DISTRIBUTION CHANNELS OF SNACK FOOD AND NON-ALCOHOLIC BEVERAGE INDUSTRY IN CHINA

Snack food manufacturers in China typically sell products through four channels, namely, traditional trade channel, modern retail channel, e-commerce channel and specialty channel. Non-alcoholic beverage manufacturers in China also distribute products via catering channel.

Given the vast scale of the Chinese market, snack food and non-alcoholic beverage manufacturers primarily rely on traditional trade channel and distributors to reach broad base of consumers. In 2014, traditional trade channel accounted for 60.1% of total retail sales in snack food market and 46.5% of total retail sales value in non-alcoholic beverage market in China. Moreover, traditional trade channel is the predominant distribution channel of snack food and non-alcoholic beverage in lower-tier cities and rural areas in China, which accounted for 68.2% and 52.0% of total snack food and non-alcoholic beverage retail sales in lower tier cities and rural areas respectively in 2014. Domestic brands dominate the traditional trade channel in China which provides a distinctive advantage in reaching broader consumer base as compared to foreign brands.

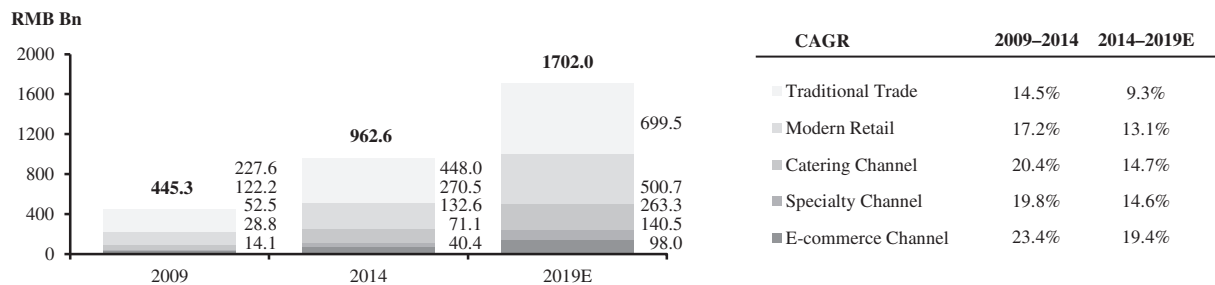
INDUSTRY OVERVIEW

Snack Food Market Breakdown by Channel



Source: Frost & Sullivan Report

Non-Alcoholic Beverage Market Breakdown by Channel



Source: Frost & Sullivan Report

There are significant entry barriers for traditional trade channel in China snack food and non-alcoholic beverage markets mainly due to following aspects: (1) difficulty in identifying and establishing collaborative relationship with a large number of quality distributors especially in cities at county-level and below; (2) lack of strong localized sales team to maintain control of distributors and provide timely support; (3) lack of nationwide manufacturing network to enable rapid product replenishment at competitive cost.

In comparison, foreign brands are more prominent in the modern retail channel in which could be more easily penetrated especially for those with strong brand recognition and diversified product portfolio. Modern retail channel is the major channel for product distribution in top tier cities and is expected to continue to grow at a CAGR of 11.8% from 2014 to 2019 for snack food market and a CAGR of 13.1% for non-alcoholic beverage market and consistently gain shares from traditional trade channel in China. This is also critical for building high-end brand appeal and gathering first hand feedback on product receptivity given more sophisticated consumer demand.

Within the non-alcoholic beverage space, catering channel is a major channel driven by the growing “eat-out” trend and fast-paced lifestyle of Chinese consumer and leading beverage brands with diversified and distinct portfolio are well placed to cooperate with the catering retailers to penetrate this channel. Specialty channel has also emerged as a more important channel especially for products like energy drinks as brand manufacturer focus on promoting the products to reach a broader

INDUSTRY OVERVIEW

customer base and better satisfy their needs. In addition, due to more prevalent trend of online purchase across all product categories, snack food and non-alcoholic beverage retail sales via the e-commerce channel is expected to grow at a CAGR of 19.1% from RMB56.7 billion in 2014 to RMB136.0 billion in 2019.

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, the snack food and non-alcoholic beverage market in China is fragmented with a wide range of international and local manufacturers. Compared with the most developed countries, China has a rather low concentration in the snack food and non-alcoholic beverage market. Top 10 snack food companies' market share was approximately 30% in 2014, while the corresponding shares in the United States and the United Kingdom were above 60%. In the meanwhile, the concentration of top 10 non-alcoholic beverage companies in the United States, the United Kingdom were above 55%, and the figure in China was approximately 45%.

According to Frost & Sullivan, Dali was the sixth largest manufacturer of snack food and non-alcoholic beverage in China by retail sales value in 2014 and the second largest among the domestic manufacturers with a retail sales value share of 2.4%. Dali was also the second largest manufacturer of snack food market in China with 5.1% share in terms of retail sales value in 2014.

Among the leading snack food and beverage companies in China, most players focus only on a few key products. Dali is one of the most diversified players with six or more product categories where the retail sales value of each of the categories was over RMB1.5 billion in 2014, according to Frost & Sullivan.

The following table sets forth the competitive landscape for snack food and non-alcoholic beverage in China.

Snack Food and Non-alcoholic Beverage Market		
Rank	Company Name	Market Share (by retail sales value in 2014)
1	A	7.5%
2	B	6.8%
3	C	5.3%
4	D	3.2%
5	E	2.7%
6	Dali	2.4%

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

The following table sets forth the competitive landscape for snack food in China.

Snack Food Market		
Rank	Company Name	Market Share (by retail sales value in 2014)
1	A	5.2%
2	Dali	5.1%
3	B	3.8%
4	C	3.4%
5	D	3.1%

Source: Frost & Sullivan Report

CHINA'S SNACK FOOD MARKET

Bread, Cakes and Pastries

The bread, cakes and pastries segment under snack food market comprises of a wide range of product categories, including pre-packaged products of pie, small bread, cakes, Swiss rolls, Chinese pie, croissants and others. From 2009 to 2014, the packaged bread, cakes and pastries segment grew at a CAGR of 13.6% to RMB55.2 billion in 2014, and is expected to continue to grow at a CAGR of 13.1% to reach RMB102.4 billion in 2019. According to Frost & Sullivan, the per capita consumption of bread, cakes and pastries in China in 2014 was USD7, compared to USD61, USD82, USD97 and USD32 in the United States, the United Kingdom, Germany and Japan, respectively. This represents huge growth potential for Chinese market. While price is still an important motivator for consumer to increase category purchasing, leading manufacturers in the bread, cakes and pastries segment including Dali mainly drove net price realization and overall sales volume growth through taste, flavor and nutrition innovation. The growth in the segment is largely driven by ongoing new product launch, product upgrade as well as having these products as meal replacements and in other occasions. The following table sets forth the market size and growth rates for the overall Chinese packaged bread, cakes and pastries market and their sub-segments.

	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Bread, Cakes & Pastries.....	29.1	55.2	102.4	13.6%	13.1%
Pie.....	7.5	13.4	21.6	12.3%	10.1%
Small Bread.....	6.3	11.9	21.3	13.4%	12.4%
Cakes	4.4	8.4	15.3	13.7%	12.7%
Swiss Rolls.....	4.1	7.3	12.6	12.3%	11.5%
Chinese Pie.....	0.5	2.8	10.0	40.5%	28.8%
Croissants	0.4	1.3	4.0	24.6%	25.8%

Source: Frost & Sullivan Report

Pie and small breads are two major product categories in packaged bread, cakes and pastries, with a combined retail sales value of RMB25.3 billion in 2014. These two categories are expected to maintain strong growth in the next five years with leading players continuously launching innovated and upgraded products to cater to evolving consumer tastes as well as promoting these products as

INDUSTRY OVERVIEW

meal replacements. Cakes and Swiss rolls markets are also expected to maintain fast growth driven by the continuous new product launch. Chinese pie is the fastest growing category driven by launch of pork floss pies by a local manufacturer in 2013 which was the first company to engage in industrialized production of such product in China and actively promote products via the e-commerce channel. Croissants, which are expected to achieve retail sales value of RMB4.0 billion in 2019, are becoming more popular as Chinese consumers are increasingly craving for quality westernized products.

According to Frost & Sullivan, Dali is the largest manufacturer of bread, cakes and pastries in China. It has a market share of 21.9% by retail sales in 2014, more than three times the market share of the second largest player. Dali is also the largest manufacturer across five sub-segments including pie, small bread, cakes, Swiss rolls and croissants in China. The following table sets forth the competitive landscape for the Chinese bread, cakes and pastries market:

Bread, Cakes and Pastries		
Rank	Company Name	Market share (by retail sales value) in 2014
1	Dali (Daliyuan)	21.9%
2	A	6.3%
3	B	5.0%
4	C	4.9%
5	D	3.7%

Source: Frost & Sullivan Report

Potato Snacks

Potato snacks are produced from potatoes and potato powder and have been deep fried or baked until crispy. In comparison with other segments of snack food, per capita consumption of potato snacks is relatively low, it is also significantly lower than other developed countries. According to Frost & Sullivan, the potato snacks consumption per capita in China in 2014 was USD2, while the figure in the United States, the United Kingdom, Germany and Japan is USD29, USD28, USD20 and USD25 respectively, indicating that the market in China still has large growth potential. With increasing per capita disposable income and growing purchase power, Chinese consumers are placing greater emphasis on branded products. In addition, the continuous consumption upgrade, products diversification due to changing consumer behavior and increasing spending on leisure foods are also the main drivers of the market growth.

Potato snacks include chips, fries and other potato snack products. The whole potato snacks market grew at a CAGR of 15.9% by retail sales from RMB9.7 billion in 2009 to RMB20.2 billion in 2014, and is expected to grow at a CAGR of 15.7% to reach RMB42.0 billion in 2019. Similar to the segment of bread, cake and pastries, Chinese consumers are fairly responsive to the innovation of potato snacks. The growth in potato snacks segment is mainly driven by the ongoing extension of flavors and packaging as well as wider range of occasions which people could consume the product as compared to other type of snack food. Leading brand manufacturers have also branched into fries and others to further diversify the portfolio and offer more differentiated products. An increasing

INDUSTRY OVERVIEW

number of consumers in the lower-tier cities and rural areas are developing the habit of consuming potato snacks. And the consumers who are in tier 1 and 2 cities are willing to consume upgraded potato snacks. The following table sets forth the market size and growth rates for the potato snacks in China, including the sub segments of chips and fries and others:

	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Potato Snacks.....	9.7	20.2	42.0	15.9%	15.7%
Chips	8.1	16.9	34.5	15.8%	15.4%
Fries and Others	1.6	3.4	7.5	16.3%	17.2%

Source: Frost & Sullivan Report

The potato snacks market in China is relatively concentrated. The top five manufacturers account for 72.1% of the market share by retail sales value in 2014. According to Frost & Sullivan, Dali is the third largest manufacturer of potato snacks by retail sales in China in 2014. Dali is also the largest domestic player with a market share of 15.1% by retail sales in this market. The following table sets forth the competitive landscape for the potato snacks market in China.

Potato Snacks		
Rank	Company Name	Market share (by retail sales value in 2014)
1	A	25.8%
2	B	17.7%
3	Dali (Copico)	15.1%
4	C	8.5%
5	D	5.0%

Source: Frost & Sullivan Report

Biscuit

China's biscuit market includes plain biscuits, sandwich biscuits, biscuit snacks, cookies, wafer biscuits and soda biscuits.

China's biscuit market grew at a CAGR of 11.8% by retail sales from RMB30.4 billion in 2009 to RMB53.1 billion in 2014, and is expected to grow at a CAGR of 10.5% to reach RMB87.7 billion in 2019. The biscuit consumption per capita in China is much lower than that in developed countries. According to Frost & Sullivan, the biscuit consumption per capita in China in 2014 was USD6, compared to USD22, USD39, USD35 and USD16 in the United States, the United Kingdom, Germany and Japan, respectively. Therefore, Chinese biscuit market still has ample room for growth. The following table sets forth the market size and growth rates for the Chinese biscuit market and the major sub-segments.

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	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Biscuits.....	30.4	53.1	87.7	11.8%	10.5%
Plain Biscuits	11.1	16.9	25.2	8.9%	8.4%
Biscuit Snacks	5.4	11.2	21.1	15.8%	13.6%
Sandwich Biscuits.....	6.9	11.8	17.5	11.3%	8.3%
Cookies	2.5	6.1	13.1	19.5%	16.6%

Source: Frost & Sullivan Report

The plain biscuits segment constitutes the largest category in the Chinese biscuit market with a retail sales value of RMB16.9 billion in 2014, and is expected to grow at a CAGR of 8.4% to reach RMB25.2 billion in 2019. The plain biscuits growth is mainly driven by the growing health and wellness trend as well as launch of new products, flavors and packaging. The Chinese cookies segment has a retail sales value of RMB6.1 billion in 2014, and is expected to grow at a CAGR of 16.6% to reach RMB13.1 billion in 2019 due to increasing popularity of quality westernized products. Biscuit snack refers to biscuits with special shapes, the majority of which are packaged in small paper boxes. Biscuit snack market has a retail sales value of RMB 11.2 billion in 2014 and is expected to grow at a CAGR of 13.6% to reach RMB21.1 billion in 2019, driven by the growing demand for snack consumption during leisure time and in-between meals especially among children and teenagers.

According to Frost & Sullivan, the biscuit market is fairly fragmented with top five producers having a combined share of 30% indicating significant consolidation potential. Dali is the second largest biscuit manufacturer in China with 4.9% market share by retail sales value in 2014 and the largest domestic biscuit brand. It is also the largest biscuit manufacturer within the plain biscuits market in 2014. The following table sets forth the competitive landscape for China's biscuit market.

Biscuit		
Rank	Company Name	Market share (by retail sales value in 2014)
1	A	12.6%
2	Dali (Haochidian)	4.9%
3	B	4.9%
4	C	4.0%
5	D	3.6%

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

CHINA'S NON-ALCOHOLIC BEVERAGE MARKET

Herbal Tea

Herbal tea, with a longstanding presence in China, is perceived as a health-oriented drink and favored by many Chinese consumers. Consumers are well receptive of the positive effect of traditional Chinese medicine, key ingredients for herbal tea, which are perceived to help “avoiding overheating”. Major brands also promote the wide range of occasions which consumers could consume the products such as when staying up late, working overtime, eating hotpot, etc. As such, China’s herbal tea market grew at a CAGR of 22.7% by retail sales from RMB18.3 billion in 2009 to RMB50.9 billion in 2014, and is expected to grow at a CAGR of 15.4% to reach RMB104.3 billion in 2019. In particular, catering channel is expected to remain as the most significant distribution channel and outgrow the overall herbal tea market in the next five years. The following table sets forth the market size and growth rates for China’s herbal tea market, including the sub segments of canned and aseptic pack, and PET-bottled herbal tea.

	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Herbal Tea	18.3	50.9	104.3	22.7%	15.4%
Canned and Aseptic pack	15.5	43.6	88.1	22.9%	15.1%
PET-bottled.....	2.8	7.3	16.2	21.4%	17.1%

Source: Frost & Sullivan Report

Canned and aseptic pack herbal tea products are the main category in the herbal tea market with a retail sales value of RMB 43.6 billion, representing 85.6% of total retail sales in China in 2014. The canned and aseptic pack herbal tea category is expected to grow at a CAGR of 15.1% from 2014 to 2019. PET-bottled herbal tea has gained popularity due to its portability fitting the evolving consumer lifestyle. The retail sales value of PET-bottled herbal tea reached RMB7.3 billion in China in 2014 and is expected to outgrow the overall market with a CAGR of 17.1% from 2014 to 2019.

Dali launched Heqizheng herbal tea in 2007 when the market was monopolized. Since then, its brand has gained increasing popularity and outperformed other new entrants to become the third largest brand in China with a market share of 9.9% by retail sales value in 2014. Within the canned segment, the Company is the only player which has launched 480ml large canned products with more attractive price positioning than market standard canned products with size of 310ml. Within the PET-bottled segment, Dali is the first mover with majority market share in 2014, more than the aggregate retail sales of the next two competitors.

INDUSTRY OVERVIEW

The following table sets forth the competitive landscape for China's herbal tea market.

Rank	Herbal Tea	
	Company Name	Market share (by retail sales value in 2014)
1	A	53.1%
2	B	28.0%
3	Dali (Heqizheng)	9.9%
4	C	0.7%
5	D	0.5%

Source: Frost & Sullivan Report

Plant-based Beverage

Plant-based beverage consists of two main categories, namely plant-based non-dairy beverage and plant-based dairy beverage. Plant-based non-dairy beverage refers to the beverage made from plant products, seeds, nuts, which have a certain content of protein. Typical products include coconut beverage, walnut beverage, soybean beverage, etc. Plant-based dairy beverage refers to the beverage made by mixing milk or milk products, and plant protein sources, such as peanut or coconut, etc. Typical products include peanut milk beverage, walnut milk beverage, etc. With the improving living standard and underlying consumer preferences towards healthy and natural beverage products in China, there is growing demand for low calorie, no artificial ingredients, and protein-rich products which drives plant-based beverage to grow over the past years.

The plant-based beverage market has grown at a CAGR of 23.8% by retail sales from RMB23.9 billion in 2009 to RMB69.6 billion in 2014, and is expected to grow at a CAGR of 18.2% to reach RMB160.8 billion in 2019. The plant-based beverage market in China has been growing at a higher rate than overall non-alcoholic beverage market in China mainly driven by the increasing purchasing power and growing health and wellness awareness. Moreover, this nutritional drink category is one of the main market share gainer from the carbonated soft drinks, of which its share of total non-alcoholic beverage market has dropped from 22.2% in 2009 to 14.5% in 2014 due to rising concerns towards obesity and potential health related risks. The following table sets forth the market size and growth rates for China's plant-based beverage market, including the sub-segments of plant-based non-dairy beverage and plant-based dairy beverage.

	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Plant-based Beverage	23.9	69.6	160.8	23.8%	18.2%
Plant-based non-dairy beverage.....	16.4	49.6	114.9	24.7%	18.3%
Plant-based dairy beverage	7.5	20.0	45.9	21.6%	18.1%

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Plant-based non-dairy beverage is the main category in the plant-based beverage market with a retail sales value of RMB49.6 billion, representing 71.3% of total retail sales in China in 2014. Plant-based dairy beverage, represented by peanut milk and walnut milk, is also growing rapidly in recent years, driven by the more brand marketing to promote this product category catering to consumer demand for healthy products as well as the successive launch of new products by various manufacturers to cater to changing consumer preferences. Plant-based dairy beverage has a retail sales value of RMB20.0 billion in 2014, representing 28.7% of total retail sales of plant-based beverage in China, and is expected to grow at a CAGR of 18.1% from 2014 to 2019.

Top five plant-based beverage manufacturers in China account for 56.3% market share by retail sales in 2014. According to Frost & Sullivan, Dali is the fifth largest manufacturer of plant-based beverage by retail sales in China in 2014, with a market share of 4.7%. The following table sets forth the competitive landscape for China's plant-based beverage market.

Plant-based Beverage		
Rank	Company Name	Market share (by retail sales value in 2014)
1	A	23.0%
2	B	11.0%
3	C	10.4%
4	D	7.2%
5	Dali (Daliyuan Peanut Milk)	4.7%

Source: Frost & Sullivan Report

According to Frost & Sullivan, Dali is the second largest manufacturer of plant-based dairy beverage in China by retail sales value in 2014. Dali has also increased its shares from 13.3% in 2012 to 16.3% in 2014 driven by successful launch of asptic pack peanut milk in 2012 aided by continuous penetration in the distribution channels. The following table sets forth the competitive landscape for China's plant-based dairy beverage market.

Plant-based Dairy Beverage		
Rank	Company Name	Market share (by retail sales value in 2014)
1	A	36.2%
2	Dali (Daliyuan Peanut Milk)	16.3%
3	B	3.3%

Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Energy Drinks

Energy drinks generally refer to soft drinks that contain caffeine and other substances that could provide mental and physical stimulation effects to consumers. Demand growth of energy drinks is mainly generated from the favorable demographics with younger energy drinks consumer age compared to that of overall beverage market and with strong stickiness of young customers towards energy drinks. Moreover, as energy drinks expand through further innovation and brand-building, the products now appeal to a greater number of drinking occasions including at work, driving, playing sports, study and entertainment etc.

China's energy drinks market is currently in early stage of development. The per capita consumption of energy drinks was USD5 in China in 2014 compared to USD29, USD19, USD13 and USD19 in the United States, the United Kingdom, Germany and Japan. The retail sales value of U.S. energy drinks market was around USD1.6 billion in 2004 and reached USD9.1 billion in 2014, representing an increase of approximately five times from 2004 to 2014. China's per capital consumption of energy drinks in 2014 was close to the level of U.S. market in 2004, indicating the huge potential.

In the meantime, consumers are also continuously looking for new products with different flavors and brand images, which provide the new-comers opportunities to survive and prosper in this once-monopolistic market. According to Frost & Sullivan, Red Bull held nearly 70% market share in the U.S. energy drinks market in 2002 while Monster held no more than 5% share in the same year. However, despite not being the first mover, Monster's market share gradually grew to 39% in 2014, while Red Bull's market share reduced to 43% in the same year.

China's energy drinks market is the fastest growing category within the non-alcoholic beverage space. The retail sales value grew from RMB9.6 billion in 2009 to RMB23.9 billion in 2012, one year before Dali launched its Hi-Tiger product. The market size is expected to reach RMB101.3 billion in 2019 with a CAGR of 21.8% from 2014 to 2019. The following table sets forth the market size and growth rates for China's energy drinks market, including the sub segments of canned and PET-bottled energy drinks.

	Market Size by Retail Sales Value			CAGR	
	2009	2014	2019E	2009-2014	2014-2019E
	(in RMB billion)				
Energy Drinks	9.6	37.8	101.3	31.6%	21.8%
Canned	9.1	33.9	87.5	30.2%	20.9%
PET Bottled	0.5	3.9	13.8	48.9%	28.8%

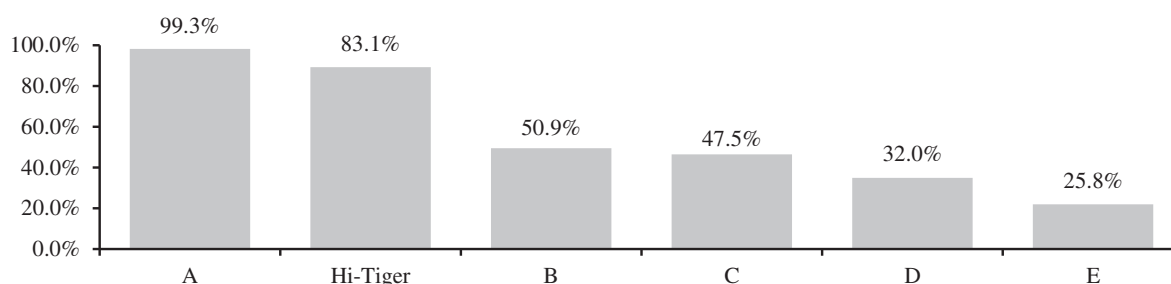
Source: Frost & Sullivan Report

INDUSTRY OVERVIEW

Canned products are the primary segment within the energy drinks market, representing 89.7% of total retail value in 2014. Nevertheless, PET-bottled products have experienced rapid growth at a CAGR of 48.9% from 2009 to 2014 with Eastroc and Dali being the pioneers in the segment, and are expected to grow at a CAGR of 28.8% from 2014 to 2019. This strong growth prospect is driven by the increasing demand for convenience-size bottled products as well as their attractive pricing which generally have lower price per-ml than the canned products. In particular, the specialty channel, including convenience stores within gas stations, is an important distribution channel and is expected to grow at a faster CAGR than the overall energy drinks market.

The energy drinks market in China is highly concentrated with top five energy drinks manufacturers account for 90.8% market share by retail sales in 2014. According to Frost & Sullivan, Dali is the third largest manufacturer of energy drinks by retail sales value in China in 2014, with a market share of 5.3%. It ranked second among all China's energy drink brands in terms of top of mind brand awareness and aided brand awareness, according to the consumer survey conducted by Frost & Sullivan.

Aided Brand Awareness Survey for China's Energy Drinks Brands



Source: Frost & Sullivan Report

The following table sets forth the competitive landscape for China's energy drinks market.

Energy Drinks		
Rank	Company Name	Market share (by retail sales value in 2014)
1	A	76.4%
2	B	5.7%
3	Dali (Hi-Tiger)	5.3%
4	C	2.6%
5	D	0.8%

Source: Frost & Sullivan Report

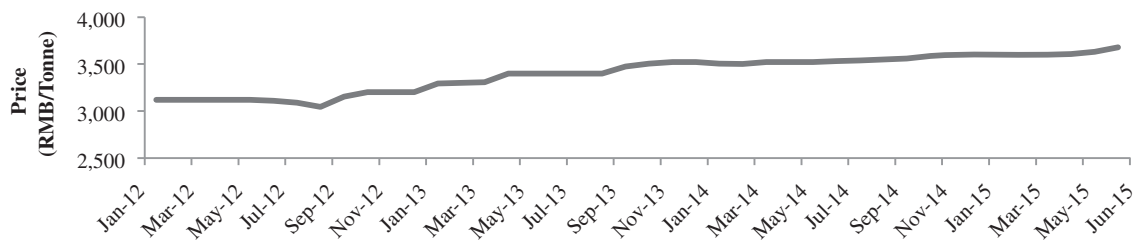
INDUSTRY OVERVIEW

PRICE OF RAW MATERIAL

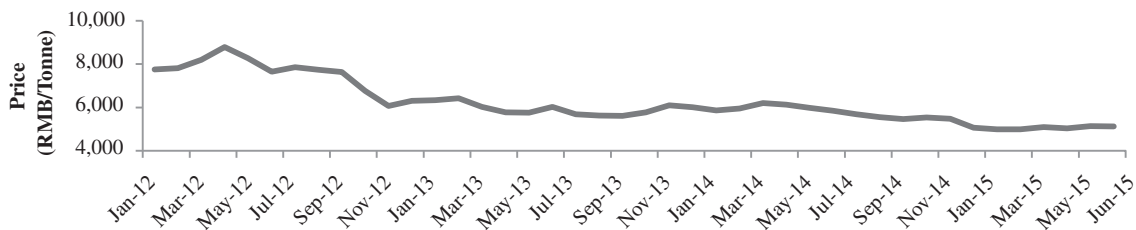
Key Raw Materials

For snack food and beverage manufacturers in China, the major raw materials are flour, palm oil and sugar. The charts below set forth the price trends of these key raw materials for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015.

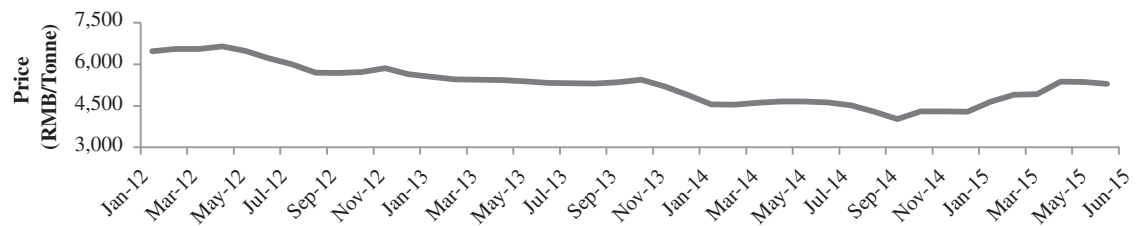
Price of Flour



Price of Palm Oil



Price of Sugar



Source: Frost & Sullivan Report

According to Frost & Sullivan, the price of flour slightly increased from 2012 to 2015. On the contrary, the price of palm oil observed a downward trend since 2012, affected by the decreasing price of upstream materials as well as the decreasing price of major substitutive products such as soybean oil.

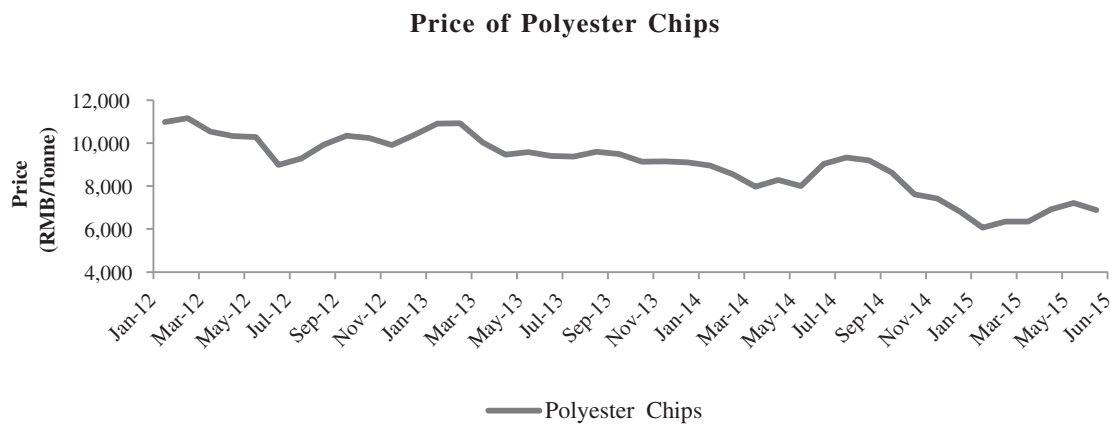
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Sugar price observed a downward trend from 2012 to 2014 because of scale upgrade of China's sugar industry, the government's increased state-reserve, and increased import. The price started to rebound from October 2014 due to an enlarging supply shortfall caused primarily by domestic sugar underproduction and import quota restriction on sugar.

According to Frost & Sullivan, in June 2015, the average prices of flour, sugar and palm oil were RMB3,680 per tonne, RMB5,288 per tonne and RMB5,120 per tonne, respectively.

Key Packaging Materials

PET is a key packaging material for beverage products. The chart below sets forth the price of PET for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015.



Source: Frost & Sullivan Report

PET price is generally fluctuant, largely affected by oil price, which determines the prices of PET's key raw materials, ethylene glycol and pure terephthalic acid. The price has been decreasing in general from 2012 to 2015, and reached RMB6,888 per tonne in June 2015.

CONSUMER BEHAVIOR AND BRAND AWARENESS

We commissioned Frost & Sullivan to conduct street interceptions and pen-and-paper interviews (collectively, the "Interviews") on energy drinks with 1,200 respondents across 12 cities in China from May 8 to June 5, 2015. In terms of key criteria to choose energy drinks, customers pay lots of attention on the effect, taste and brands. Hi-Tiger ranked second in terms of top of mind brand awareness, non-aided brand awareness, and aided brand awareness, which is only next to Red Bull but much higher than the rest of competitors. In terms of channels, supermarket, chained convenience stores are still priority in purchasing energy drinks in cities. Small grocery stores in lower tier cities are also an important channel that's worth to mention. For some specialty channels like travelling sites, campus, night bars and station and airport, although they don't have large share of voting, they are also emerging channels with good potential.

REGULATORY OVERVIEW

All of our business operations are based in the PRC and are subject to extensive supervision and regulation by the PRC Government. This section summarizes the main laws, rules and regulations which impact key aspects of our business.

LICENSING FOR FOOD PRODUCTION

In accordance with provisions of the Regulations of the PRC for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例》) (the “Production License Regulations”), which was promulgated by the State Council and came into effect on September 1, 2005, and the Measures for the Implementation of the Regulations of the PRC for the Administration of Production License for Industrial Products (《中華人民共和國工業產品生產許可證管理條例實施辦法》), which were promulgated by the General Administration of Quality Supervision, Inspection and Quarantine and came into effect on November 1, 2005 and amended on April 21, 2010, and April 21, 2014 the General Administration of Quality Supervision, Inspection and Quarantine is responsible for the centralized administration of production license for industrial products, whereas the competent authorities of the county level or above for industrial production license are responsible for the administration of production license for industrial products within their own jurisdictions and the imposition of penalties on acts that violate the production license pursuant to the relevant requirements.

In accordance with the Measures for the Administration of Food Production Licensing (《食品生產許可管理辦法》), which was promulgated on April 7, 2010, and came into effect on June 1, 2010, the validity term for a food production license is three years. Enterprises that have food production license, with the need to continue the production upon expiry of the food production license, are required to file an application for renewal of the license with the original licensing authority within six months prior to the expiry of the validity term of the food production license. If the renewal is approved, the number of the food production license shall remain unchanged. Where no application is filed for renewal of license upon expiry of the validity term, the enterprise shall be deemed with no license upon the expiry, after which, if the enterprise intends to continue the production of food, it shall file a new application for re-issuance of the license and a new number of the license, the validity term of which shall be counted from the date of permission. On August 31, 2015, the new Measures for the Administration of Food Production Licensing were promulgated and came into effect on October 1, 2015. According to the new Measures for the Administration of Food Production Licensing, the validity term for a food production license is changed into five years and the food producers shall file applications with the food and drug administrative authorities which originally issued the license 30 working days before its expiry for extending the validity period of their food production license.

FOOD SAFETY

In accordance with the Food Safety Law of the PRC (《中華人民共和國食品安全法》) (the “Food Safety Law”) which was promulgated on February 28, 2009 and became effective on June 1, 2009 and the Regulations for the Implementation of the Food Safety Law of the PRC (《中華人民共和國食品安全法實施條例》) (the “Implementing Rules on the Food Safety Law”) promulgated and implemented on July 20, 2009, food products include finished products edible or drinkable by human beings, raw materials used in the production of finished food products and substances which have been

REGULATORY OVERVIEW

traditionally used both as food and medicinal materials, excluding substances used for therapeutic purposes. For business engaging in food production, food circulation and catering services, relevant licenses shall be obtained in accordance with the law. Food producers who have obtained food production license are not required to obtain food circulation license for selling the food produced by them at their production site; the catering service providers who have obtained the catering service license are not required to obtain the food production or food circulation license for selling the food produced by them at venue where their catering services are provided.

Food producers and traders are required to adopt a management system of personnel health. The personnel suffering from dysentery, typhoid, viral hepatitis type A, viral hepatitis type E or any other infectious disease of the digestive tract or suffering from active tuberculosis, purulent or seeping skin disease or any other disease that affects the food safety shall not engage in work that involves contact with ready-to-eat food. Food producers and traders shall have physical examination for their personnel each year and shall obtain healthy certificates prior to working.

In accordance with the Food Safety Law as well as the Implementing Rules on the Food Safety Law, Food producers shall examine the relevant licenses and eligibility certification documents of the suppliers when purchasing food raw materials, food additives and food-related products. Food raw materials shall be inspected in accordance with food safety standards if the relevant eligibility certification documents are unavailable. Food raw materials, food additives or food-related products may not be procured or used if they are not up to the standards of food safety. Food production enterprises are required to build an administrative system for records of procurement inspection of food raw materials, food additives and food-related products, and truthfully record the names, specifications, quantities, names and contact information of suppliers, dates of purchase, etc. of food raw materials, food additives and food-related products. The procurement inspection records of food raw materials, food additives and food-related products shall be true, and shall be kept for at least two years. Food production enterprises are also required to build an administrative system for records of ex-factory inspection, among which the inspection certificates and safety conditions of the foods to be delivered shall be examined, with truthful recording of the names, specifications, quantities, dates of production, lot numbers of production, numbers of inspection certificates, names and contact methods of purchasers, dates of sales, etc. of food. The records of food ex-factory inspection shall be true, and shall be kept for at least two years. Food producers and traders may carry out the inspection of their products by themselves or through qualified inspectors in accordance with the Food Safety Law.

Under the Food Safety Law and the Implementing Rules on the Food Safety Law, packages of pre-packed food shall bear labels with information required to be indicated by laws, regulations or food safety standards, including but not limited to net content, date of production, list of ingredients or components, name, address and contact details of producer, shelf life, product standard code, storage conditions, the general name of the food additives used in the national standards and category number of food production license.

On April 25, 2015, the Standing Committee of the National People's Congress ("NPC") passed the amended Food Safety Law ("the New Food Safety Law"), which became effective on October 1, 2015. The New Food Safety Law set general requirements applicable not only to food and food additives, but also to specific requirements for food-related products and other product categories

REGULATORY OVERVIEW

(e.g., GM foods, health foods, infant and young children formula, formulated food for special medical purposes, etc.). Compared to the 2009 version, the New Food Safety Law extends its regulatory scope to food storage and transportation. New requirements also are raised targeting food catering service providers. The main amendments of the New Food Safety Law include the follows:

Genetically Modified Food

Producers and traders of genetically modified food must label the food prominently following the rules required by law.

Health Foods

A catalogue of health food raw materials and permitted functional claims will be published by the Government, and subject to adjustment from time to time. Raw materials that are listed in the catalogue shall be restricted to use in health foods. Moreover, separate registration and notification requirements will be imposed on different types of health food products. With regard to the labeling and promotion of health foods, the New Food Safety Law provides some detailed requirements in Article 78. For example, product label or instructional materials must not suggest any disease-prevention or healing function, it must be authentic and consistent with what is registered or notified with the authorities. In addition, health food advertisements must include the statement “this product cannot substitute for drugs”.

E-Commerce

In order to promote healthier online trading of food products, and offer more protection to consumer rights, the New Food Safety Law mandates that third-party online food trading platform providers demand real-name registration by food traders on the platform, and clearly set forth the traders’ responsibilities; the platform providers also have a duty to examine the licenses of food producers and traders where such licenses are applicable.

The PRC has established a food recall system in accordance with the Food Safety Law and the Implementing Rules on the Food Safety Law. Where a food producer finds that the food produced by it does not comply with the food safety standards, it shall immediately stop the production, recall the food on the market for sale, notify the relevant producers and traders, as well as consumers, and record the recall and notification. Where a food trader finds that the food traded by it does not comply with the food safety standards, it shall immediately stop the trading, notify the relevant producers and traders, as well as consumers, record the cessation of trading and the notification. Where the food producers consider that the food should be recalled, the food shall be recalled immediately. The food producers are required to take such measures as remedy, destruction and harmless treatment for the recalled food, and report the recalling and treatment of the recalled food to the quality supervision department at or above the county level. Where the food producers or traders fail to recall or stop trading of the food and thus fail to comply with the food safety standards in accordance with the provisions of this law, the quality supervision, administration for industry and commerce, food and

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drug supervision and administration departments at and above the county level shall order them to recall or stop trading. On March 11, 2015, the CFDA promulgated the Administrative Measures for Food Recall (食品召回管理辦法), which became effective on September 1, 2015. The Administrative Measures for Food Recall provides the detailed rules on the food recall system.

For any violation of the Food Safety Law, competent authorities could confiscate the relevant illegal incomes and food products, issue warnings and impose orders of rectification or fines ranging from RMB2,000 to RMB50,000 (where the value of the illegal products is below RMB10,000) or fines ranging from two times to ten times of the value of the illegal products (where the value of the illegal products is RMB10,000 or more). Serious violation of the Food Safety Law may also result in revocation of food safety certificate and criminal liabilities. Under the New Food Safety Law, more severe penalties are imposed on food producers and traders for violating this Law. For example, the fine for a “serious violation” is increased from 5-10 times to 15-30 times the total value of the commodity (for commodities valued at over RMB10,000). For commodities valued under RMB10,000, the violator is subject to a fine of RMB100,000-150,000. Personal penalties (e.g., detention of the responsible person) are proposed for the first time to punish serious violations (e.g., manufacturing and trading of foods containing drugs, using recycled food as food raw materials, etc.). In addition, per Article 124 of the Law, use of expired food raw materials or food additives in production can be subject to a fine 10-20 times the total value of the commodity or even a license revocation. A consumer who suffers personal, property or other damages may demand compensation 10 times the purchase price or 3 times the damage from the producer or the trader, with a minimum compensation set at RMB1,000.

Standards for Drinking Water Quality

The Standards for Drinking Water Quality (GB5749-2006)《(生活飲用水衛生標準 (GB5749-2006))》(the “Standards”) provide the water quality hygiene requirements for drinking water quality, the water quality of the source of water for drinking water, the hygiene requirements of central water supply, the hygiene requirements of secondary water supply, the hygiene requirements of drinking water safety products, water quality monitoring and the methods on quality test of water. The Standards are appropriate to various central drinking water supply including urban and rural and the Standards also apply to non-central drinking water supply.

If the Company’s products relate to drinking water, the rules of these Standards will apply.

PRODUCT QUALITY AND CONSUMER PROTECTION

Manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Under the General Principles of the Civil Laws of the PRC (《中華人民共和國民法通則》), which became effective on January 1, 1987, and amended on August 27, 2009 manufacturer or retailer of a defective product which causes property damage or physical injury to any person could be subject to civil liability for such damage or injury.

In accordance with the Product Quality Law of the PRC (《中華人民共和國產品質量法》) (the “Product Quality Law”), promulgated on February 22, 1993 and amended on July 8, 2000, producers and sellers are responsible for the product quality according to the provisions of this law.

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Under the Product Quality Law, responsibilities and obligations of producers for the products include: (i) be responsible for the quality of products they produce; (ii) description of the products or the package of products shall be true to the fact; (iii) not to produce products expressly phased out by State laws or decrees; (iv) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (v) not to forge or falsely use product quality marks, such as authentication marks; (vi) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the production; (vii) to ensure that, for products that are fragile, inflammable, explosive, toxic, erosive or radioactive and products that cannot be handled up-side-down in the process of storage or transportation or for which there are other special requirements, the packaging thereof must meet the corresponding requirements, carrying warning marks or warning notes written in Chinese to highlight the way of handling that calls for attention. Responsibilities and obligations of sellers for the products include: (i) to adopt a check-for-acceptance system for stock replenishment to examine the quality certificates and other identifications of such stock; (ii) to take measures in maintaining good quality of the products for sale; (iii) not to sell defective or deteriorated products or products which have been publicly ordered to cease sales; (iv) to sell products with labels that comply with the relevant provisions; (v) not to forge the place of origin or forge or falsely use the names and addresses of other producers; (vi) not to forge or falsely use product quality marks, such as authentication marks; (vii) not to mix impurities or imitations into the products, substitute a fake product for a genuine one, a defective product for a high-quality one, or pass off a substandard product as a qualified one in the sale of products.

A producer or seller in breach of the above responsibilities and obligations shall be liable to civil compensation. If bodily injury is caused by the defect of a product, the producer or seller shall pay for medical expenses, nursing expenses during medical treatment and lost income due to absence from work to the victim; if the bodily injury has resulted in disability, the producer or seller shall also be responsible for the expenses for self-supporting equipment, living allowances, compensation of the disabled person and the living expenses necessary for those under the support of the disabled person; if death is resulted, the producer or seller shall pay for the funeral expenses, compensation and the living expenses necessary for those who were supported by the dead. If the defect of a product causes losses in property of the victims, the producer or seller shall be responsible for restoring or compensating and related major loss for it. The authorities shall order the suspension of production or sale, confiscate the products illegally produced or sold, impose a fine and confiscate the unlawful proceeds (if any) therefrom. Where the case is serious, business licenses shall be revoked. Where a criminal offense is constituted, the offenders will be pursued for criminal liabilities.

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) (the “Consumer Protection Law”), promulgated on October 31, 1993 and amended on October 25, 2013 and came into effect on March 15, 2014 sets out standards of behavior for business operators in their dealings with consumers, including, among others, (i) compliance of goods and services with the Product Quality Law and other relevant laws and regulations, such as requirements regarding personal safety and protection of property; (ii) accurate information and advertising concerning goods and services and the quality and use of such goods and services; (iii) issuance of receipts to consumers in accordance with relevant national regulations, business practices or upon customer request; (iv) ensuring the actual quality and functionality of goods or services are consistent with advertising

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materials, product descriptions or samples; (v) assumption of the responsibilities related to repairing, replacing, returning or other liability in accordance with national regulations or any agreements with the consumer; and (vi) not stipulating unreasonable or unfair terms for consumers and not excluding themselves from civil liability to undermine the legal rights and interests of consumers.

Any seller which violates the Consumer Protection Law may be subject to fines, suspension of its business operations or revocation of its business license. A seller which violates the Consumer Protection Law may also be subject to criminal liabilities. According to the Consumer Protection Law, a consumer whose legal rights and interests are harmed during the purchase or use of goods may claim compensation from the seller. Where the liability lies with the manufacturer or supplier, the seller, after settling compensation with the consumer, has the right to recover such compensation from that manufacturer or the other seller. Consumers or other parties who suffer injury or property losses arising from product defects may claim compensation from the manufacturer or the seller. Where the liability lies with the manufacturer, the seller, after compensating the consumer, has the right to recover such compensation from the manufacturer, and vice versa.

PRODUCT STANDARDIZATION

The Standardization Law of PRC (《中華人民共和國標準化法》), which came into effect on April 1, 1989, has formed the legal framework for the development of standard directives and their applications by all industries and sectors nationwide. The tasks of standardisation work include the formulation of standards, the implementation of the standards and the supervision over the implementation of the standards.

National standards and trade standards are classified into compulsory standards and voluntary standards. Those standards created for safeguarding human health and ensuring the safety of the person and of property as well as those standards for compulsory execution as prescribed by the laws and administrative rules and regulations shall be compulsory standards, while the others shall be voluntary standards.

According to the Regulations for the Implementation of the Standardization Law of the People's Republic of China (《中華人民共和國標準化法實施條例》) promulgated on April 6, 1990 (together with the Standardization Law of PRC, the Standardization Law and Regulations), the standards in the compulsory category include: (i) standards for pharmaceuticals, food hygiene and veterinary medicine; (ii) safety and hygiene standards for products and the production, storage and transportation and utilization of products; standards for the safety of labor and hygiene standards and safety standards for transportation; (iii) quality, safety and sanitation standards for project construction and other standards for project construction that must be controlled by the State; (iv) standards for the discharge of pollutants and standards for environmental quality; (v) important technical terms, symbols, codes and drafting methods in common use; (vi) standards on universal methods of experimentation and examination; (vii) standards for conversion and coordination; and (viii) quality standards for important products which need to be controlled by the State.

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Enterprises producing, selling or importing products which do not conform with the compulsory standard may be ordered to stop operations. The authorities of the Industry and Commerce Administration may also confiscate non-standardized products and illegal gains derived thereunder. Criminal liabilities may also be imposed for serious breach of the Standardization Law and Regulations. Standard certificates obtained by enterprises which are in breach of the Standardization Law and Regulations may be revoked.

LAWS AND REGULATIONS IN RELATION TO PRINTING

The Regulations on the Administration of Printing Industry (《印刷業管理條例》) (“Printing Industry Regulations”) were promulgated by the State Council and came into force on August 2, 2001. These regulations regulate the operations of printing publications, as well as the packaging and decoration materials on printed objects, such as paper, metal and plastic. Pursuant to the Printing Industry Regulations, no one is allowed to engage in the printing business without obtaining a printing license. The printing license may not be leased, lent or transferred by any means.

Other rules and regulations for the printing industry that impact the packaging industry include:

- the Administrative Regulations on Fulfilling Printing Orders (《印刷品承印管理規定》) (“Printing Orders Regulations”), which were issued by the General Administration of Press and Publication (新聞出版總署) together with the Ministry of Public Security (公安部) and took effect on September 1, 2003. Under the Printing Orders Regulations, companies engaged in the printing business are required to verify clients’ legal documents, such as business licenses and trademark registration certificates, and to file the printing records kept by the companies with competent authorities;
- the Measures on Administration of Bar Code (《商品條碼管理辦法》) issued by General Administration of Quality Supervision, Inspection and Quarantine (國家質量監督檢驗檢疫總局) on May 30, 2005. In addition, the Implementation Measures on Identification of Printing Qualification of Bar Code (《商品條碼印刷資格認定工作實施辦法》) (“Bar Code Measures”) issued by the former State Bureau of Quality and Technical Supervision (國家質量技術監督局) on July 19, 2000. Pursuant to the aforesaid Measures, enterprises engaged in the business of printing bar codes are encouraged to be qualified and have qualification certificates issued by an organization under the State Bureau of Quality and Technical Supervision. The qualification certificates are valid for three years and can be renewed upon application within two months before expiry;
- the Interim Provisions on the Establishment of Foreign-invested Printing Enterprises (《設立外商投資印刷企業暫行規定》) (“Interim Provisions”) jointly issued by the General Administration of Press and Publication and the former Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部) on January 29, 2002. Under the Interim Provisions, approvals by the press and publication administration are required for the establishment of foreign-invested enterprises engaging in the printing business. In addition, foreign-invested printing enterprises are not allowed to set up branches; and

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- the Interim Measures on the Qualifications of Printing Operators (《印刷業經營者資格條件暫行規定》) issued by the General Administration of Press and Publication on November 9, 2001, which specify the qualifications required for enterprises engaged in printing operations. Printing operators must satisfy such qualification requirements in order to obtain approval for their establishment and printing licenses from the press and publication administration.

LAWS AND REGULATIONS IN HEALTH FOOD

According to the Administration of Health Food (《保健食品管理辦法》), promulgated by the Ministry of Health on March 15, 1996 and effective as of June 1, 1996, any food as claimed having the function of health-care must be identified by the Ministry of Health. The developer shall file an application to the provincial health authorities where it locates and, upon passing the preliminary examination, report it to the Ministry of Health for approval. The Ministry of Health shall issue the “Certificate of Approval for Health Food”.

A food manufacturing enterprise shall file an application for the production of health food to the provincial health authorities where it locates. The production of health food can be carried out only after it is examined and approved by the aforesaid provincial health authorities with the endorsement of permitted project in the health license of the applicant.

Packaging materials and containers in direct contact with food, including nutritional supplements and general health food products, are required to comply with national standards. Product packaging must be included in the application materials for approval of a new health food and reviewed by the CFDA.

The labels of a health food are required to state, among other things, the brand name, the common name and a brief description of the product, all of which must follow the terminologies promulgated by the CFDA. The labels are also required to state the intended therapeutic applications, dosage, storage, active ingredients and the licence number, if applicable, of the product. The contents of the labels must be true and accurate.

According to the Registration of Health Food (for Trial Implementation) (《保健食品註冊管理辦法(試行)》), promulgated by the former SFDA on April 30, 2005 and effective as of July 1, 2005, all health food must be approved by the CFDA. CFDA approvals granted before July 1, 2005 do not specify an expiry date and an approval obtained after July 1, 2005 will be valid for five years and must be renewed at least three months before its expiration. A health food, once approved by the CFDA, is permitted to use the health food logo specified by the Ministry of Health.

According to Good Manufacturing Practices for Health Food (《保健食品良好生產規範》), promulgated by the Ministry of Health on May 5, 1998 and effective as of January 1, 1999, a manufacturer of health food in China must pass GMP certification to cover all aspects of its production. GMP certification criteria include qualifications related to staff, production premises and facilities, raw materials, production management, product distribution, hygiene conditions and quality controls.

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LAWS AND REGULATIONS IN PRODUCT PACKAGING

As required by the General Principles on the Production License for Food Packaging, Containers, Tools, and Other Products(《食品用包裝、容器、工具等製品生產許可通則》) and the Detailed Examination Rules on Production License for Plastic-made Food Packaging, Containers, Tools, and Other Products(《食品用塑膠包裝、容器、工具等製品生產許可審查細則》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on July 18, 2006, and by the Implementation Rules on Production License for Paper-made Food Packaging, Containers, and Other Products (《食品用紙包裝、容器等製品生產許可實施細則》), which was promulgated by the General Administration of Quality Supervision, Inspection and Quarantine on July 18, 2007, any enterprise that has not obtained a production license for a product listed in the Catalogue shall be prohibited from producing the relevant products.

TRADEMARK ADMINISTRATION

Overview of trademark administration

As required by the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No. 59 of the President, effective from March 1, 1983 and amended on October 27, 2001 and August 30, 2013 and came into effect on May 1, 2014) and Regulation for the Implementation of Trademark Law of the PRC (《中華人民共和國商標法實施條例》) (Order No. 358 of the State Council, effective from September 15, 2002 and amend on April 29, 2014), The Trademark Office of the SAIC (the “Trademark Office”) shall be responsible for the registration and administration of trademarks throughout the country. The Trademark Review and Adjudication Board of the State Administration for Industry and Commerce under the State Council shall be responsible for handling trademark disputes.

Registered trademarks refer to trademarks that have been approved and registered by the Trademark Office, which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law. Any visible mark in the form of word, graphic, alphabet, number, 3D (three-dimension) mark, color combination or the combination of these elements that can distinguish the commodities of the natural person, legal person or other organizations from those of others can be registered as a trademark. Trademark for which an application is filed for registration shall be as distinctive as to be distinguishable, and shall not go against the legitimate right previously obtained by others. A trademark registrant is entitled to tag the words “Registered Trademark” or a sign indicating that it is registered.

A public announcement shall be made upon completion of a preliminary examination of the trademark pending for registration by the Trademark Office. Any person with pre-existing right or interests may, within three months from the date of the publication, file an opposition against the trademark that has been preliminarily approved upon examination. If no objection has been received upon expiry of the said period, the registration shall be approved, a certificate of trademark registration shall be issued and the trademark shall be published. The valid period of a registered trademark is ten years from the date of the approval for registration. Where the registrant intends to continue to use the registered trademark beyond the expiration of the period of validity, an application for renewal of the registration shall be made within twelve months before the said expiration. Where

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no application therefor has been filed within the said period, a grace period of six months may be allowed. If no application has been filed before the expiration of the grace period, the registered trademark shall be cancelled. The period of validity of each renewal of registration shall be ten years. Any renewal of registration shall be published after it has been approved.

Any trademark registrant may, by signing a trademark license contract, authorize other persons to use his registered trademark. The licensor shall supervise the quality of the goods in respect of which the licensee uses his registered trademark, and the licensee shall guarantee the quality of the goods in respect of which the registered trademark is used.

Any of the following acts shall be an infringement upon the right to exclusive use of a registered trademark: (1) using a trademark which is identical with a registered trademark on the same kind of commodities without a license from the registrant of the registered trademark; (2) using a trademark which is similar to a registered trademark on the same kind of commodities, or using a trademark that is identical with or similar to the registered trademark on similar goods without a license from the registrant of the registered trademark, which is likely to cause confusion; (3) selling commodities that infringe upon the right to exclusive use of a registered trademark; (4) counterfeit or unauthorized production of the label of another's registered trademark, or sale of any such label that is counterfeited or produced without authorization; (5) changing a registered trademark and putting the commodities with the changed trademark into the market without the consent of the registrant of the registered trademark; (6) providing, intentionally, convenience for activities infringing upon others' exclusive right of trademark use, and facilitating others to commit infringement on the exclusive right of trademark use; or (7) causing other damage to the right to exclusive use of a holder of a registered trademark.

Well-known trademark administration

As required by the Trademark Law of the PRC (2001 Revision), Provisions for the Determination and Protection of Well-known Trademarks (《馳名商標認定和保護規定》) (Order No. 5 of the State Administration for Industry and Commerce, effective from June 1, 2003 and amended on July 3, 2014) and Working Instructions of the State Administration for Industry and Commerce for the Determination of Well-known Trademarks (《馳名商標認定工作細則》) (No. 81 [2009] of the State Administration for Industry and Commerce, effective from April 21, 2009), well-known trademarks refer to reputable trademarks well known to the relevant public in China. The following factors shall be taken into consideration in the determination of a well-known trademark, on the premise that the trademark is not required to satisfy all of these factors: (1) the popularity of the trademark among the relevant public; (2) the duration in which the trademark is in continued use; (3) the duration, extent and geographical coverage of any advertisement of the trademark; (4) Records of the protection of the trademark as a well-known trademark; and (5) other factors contributing to the popularity of a trademark.

Having received an application for the protection of a well-known trademark during the course of the administration of trademarks, the Trademark Office shall make a decision within a period as stipulated by related provisions of Trademark Law of PRC.

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If a trademark of identical or similar commodity for which an application for registration is filed is the copy, imitation or translation of a well-known trademark of others which has not been registered in China, and is likely to cause confusion, it shall not be registered and shall be prohibited from use. If a trademark of a different or dissimilar commodity for which an application for registration is filed is the copy, imitation or translation of a well-known trademark of others which has been registered in China, and is likely to mislead the public and lead to possible damage to the interests of the registrant of that well-known trademark, it shall not be registered and shall be prohibited from use.

Patent Law

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》), which was promulgated by the Standing Committee of the NPC on March 12, 1984 and amended on September 4, 1992, August 25, 2000 and December 27, 2008, and its implementation rules (《中華人民共和國專利法實施細則》), which was promulgated by the State Council on June 15, 2001 and amended on December 28, 2002 and January 9, 2010. The Patent Law of the PRC and its implementation rules provide for three types of patents, “invention,” “utility model” and “design.” “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern, color or the combination of any two of them, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “designs” is 10 years, from the date of application.

Domain names

The Measures for the Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》) (the “Domain Name Measures”) were promulgated by the then existing Ministry of Information Industry on November 5, 2004, and came into effect on December 20, 2004. The Domain Name Measures regulate registrations of domain names with the Internet country code “.cn” and domain names in Chinese.

PRODUCTION SAFETY

Pursuant to the PRC Production Safety Law (《中華人民共和國安全生產法》) which was promulgated on June 29, 2002 and amended on August 27, 2009 and August 31, 2014 and came into effect on December 1, 2014, the State Administration of Work Safety (國家安全生產監督管理總局) is in charge of the overall administration of production safety. The PRC Production Safety Law provides that any entity engaging in manufacturing must meet national or industry standards regarding safety production and provide qualified working conditions required by laws, administrative rules and the national or industry standards. The entity engaging in manufacturing must install prominent warning sign at or on the relevant dangerous operation site, facility and equipment. The design, production, installment, use, test, maintenance, upgrade and disposal of safety equipment must comply with national and industry standards.

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FOREIGN EXCHANGE

Foreign exchange administration

The principal law governing foreign currency exchange in the PRC is the Foreign Exchange Administration Regulations (《外匯管理條例》). The Foreign Exchange Administration Regulations was enacted by the State Council on January 29, 1996 and implemented on April 1, 1996. On January 14, 1997 and August 5, 2008, the State Council amended the Foreign Exchange Administration Regulations. According to the Foreign Exchange Administration Regulations currently in effect, international payments in foreign currencies and transfer of foreign currencies under current items shall not be restricted. Foreign currency transactions under the capital account are still subject to limitations and require approvals from, or registration with, the SAFE and other relevant PRC governmental authorities.

Pursuant to the Regulation of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》), promulgated on June 20, 1996 by the PBOC and which became effective on July 1, 1996, the Foreign-Invested Enterprises (“FIE”), may only buy, sell or remit foreign currencies at those banks authorized to conduct foreign exchange business after providing valid commercial supporting documents and, in the case of capital account item transactions, obtaining approvals from the SAFE.

On August 29, 2008, the SAFE promulgated the Notice of the General Affairs Department of the SAFE on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《國家外匯管理局綜合司關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the “SAFE Circular 142”) regulating the conversion by a foreign-invested enterprise of its foreign currency registered capital into Renminbi. The SAFE Circular 142 provides that the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable governmental authority and may not be used for equity investments within the PRC. The use of such Renminbi fund may not be altered without approval, and such Renminbi fund may not in any case be used to repay any Renminbi loans that were taken out but that have not been utilized. Violations of the SAFE Circular 142 could result in severe monetary penalties. On March 30, 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (the “SAFE Circular 19”), which became effective on June 1, 2015 and replace the SAFE Circular 142. Under the SAFE Circular 19, the restriction is abolished that the using the Renminbi fund converted from foreign currency registered capital of a foreign-invested enterprise for equity investments within the PRC. Meanwhile, the use of such Renmibi should still obey the restrictions as set in this circular, such as it cannot be directly or indirectly used for the payment beyond the business scope of the enterprises or the payment prohibited by national laws and regulations; investment in securities unless otherwise provided by laws and regulations; granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and paying the expenses related to the purchase of real estate not for self-use, except for the foreign-invested real estate enterprises.

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Dividend distribution

The principal laws governing dividend distributions by our PRC Subsidiaries include the PRC Company Law (《中華人民共和國公司法》), which was promulgated on December 29, 1993 and became effective on July 1, 1994 and was subsequently amended on December 25, 1999, August 28, 2004 and October 27, 2005 and on December 28, 2013. Dividend distribution by wholly foreign-owned enterprises (“WFOE”) and Sino-foreign equity joint ventures (“EJV”) are further governed by the PRC Law Concerning Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》), which was promulgated on April 12, 1986 and revised on October 31, 2000, and its Implementation Regulations (《中華人民共和國外資企業法實施細則》) promulgated on December 12, 1990 and revised on April 12, 2001 and February 19, 2014, the PRC Law on Sino-foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》) promulgated on July 1, 1979 and revised on March 15, 2001 and the Implementation Regulations (《中華人民共和國中外合資經營企業法實施條例》) promulgated on September 20, 1983 and revised on July 22, 2001, January 8, 2011 and February 19, 2014.

Under these laws and regulations, PRC companies, including WFOEs and EJVs, may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting principles. In addition, PRC companies, including domestic companies, WFOEs and EJVs are required to set aside each year at least 10% of their after-tax profit based on PRC accounting principles to their statutory general reserves funds until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends. Furthermore, EJVs and WFOEs in the PRC may also be required to set aside individual funds for employee welfare, bonuses and development, at the discretion of such PRC companies and as stipulated in their articles of association. These reserves or funds are not distributable as dividends.

Circular No. 37

The SAFE promulgated Circular 37 on July 14, 2014 which rescinded the Circular 75. Subject to the Circular 37, domestic resident, individuals or institutions, are required to register with the bureau of foreign exchange administration before they invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including the remitting back of dividends and profits. Domestic residents who invest special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of the Circular 37, but fail to conduct the foreign exchange registration of overseas investments shall submit explanatory statement and state the reasons to the bureau of foreign exchange administration. The bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by domestic residents who apply for the foresaid complementary registration, administrative penalty would be imposed in accordance with relevant laws. According to the Circular on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “SAFE Circular 13”) which was promulgated on February 13, 2015 and became effective on June 1, 2015, the above mentioned registration under Circular 37 will be handled directly by the bank that has obtained the financial institution identification codes issued by the foreign

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exchange regulatory authorities and that has opened the capital account information system at the foreign exchange regulatory authority in the place where it is located and the foreign exchange regulatory authorities shall perform indirect regulation over the direct investment-related foreign exchange registration via banks.

TAXATION

Enterprise income tax (“EIT”)

According to the PRC EIT Law, which was promulgated on March 16, 2007 and became effective from January 1, 2008, the income tax for both domestic and foreign-invested enterprises is at a uniform rate of 25%. The Regulation on the Implementation of Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》) (the “EIT Rules”) was promulgated on December 6, 2007 and became effective from January 1, 2008.

Pursuant to the PRC EIT Law and the EIT Rules, a resident enterprise is subject to enterprise income tax for the income derived from both inside and outside the PRC. An organization or establishment set up by a non-resident enterprise in the PRC is subject to enterprise income tax for the income derived in the PRC and the income derived from outside the PRC but with actual connection with such organization or establishment in the PRC. For a non-resident enterprise which has not set up an organization or establishment in the PRC, or has set up an organization or establishment in the PRC but the income it derives has no actual connection with such organization or establishment, only its income derived in the PRC will be subject to enterprise income tax.

The enterprise income tax is being levied at the rate of 25%. A non-resident enterprise without a permanent establishment in the PRC or a non-resident enterprise which has set up a permanent establishment in the PRC whose earning income is not connected with the abovementioned permanent establishment will only be subject to tax on its PRC-sourced income. The income for such enterprise will be taxed at the reduced rate of 10%.

Pursuant to the PRC EIT Law and the EIT Rules, income from equity investment between qualified resident enterprises such as dividends and bonuses, which refers to investment income derived by a resident enterprise from direct investment in another resident enterprise, is tax-exempt income.

Moreover, pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》), a PRC resident enterprise which distributes dividends to its Hong Kong shareholders should pay income tax according to PRC law, however, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests of the aforesaid enterprise (i.e. the dividend distributor), the tax levied shall be 5% of the distributed dividends. If the beneficiary is a Hong Kong resident enterprise, which directly holds less than 25% equity interests of the aforesaid

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enterprise, the tax levied shall be 10% of the distributed dividends. Meanwhile, Circular of the State Administration of Taxation on the Interpretation and the Determination of the “Beneficial Owners” in the Tax Treaties (《國家稅務總局關於如何理解和認定稅收協定中“受益所有人”的通知》) has stipulated some factors that are unfavorable to the determination of “beneficial owner”.

In addition, pursuant to the Circular of the SAT on Relevant Issues Relating to the implementation of Dividend Clauses in Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》) issued by the SAT on February 20, 2009, all of the following requirements should be satisfied where a tax resident of the counterparty to the tax treaty needs to be entitled to such tax treatment specified in the tax treaty for the dividends paid to it by a Chinese resident company: (1) such a tax resident who obtains dividends should be a company as provided in the tax treaty; (2) the equity interests and voting shares of the Chinese resident company directly owned by such a tax resident reach a specified percentage; and (3) the capital ratio of the Chinese resident company directly owned by such a tax resident reaches the percentage specified in the tax treaty at any time within 12 months prior to acquiring the dividends.

Pursuant to the Administrative Measures for Non-residents to Enjoy Treatment under Tax Treaties (Trial) (《非居民享受稅收協定待遇管理辦法(試行)》) which came into effect on October 1, 2009, where a non-resident enterprise (as defined under the PRC tax laws) wishes to enjoy the preferential tax treatment under the tax treaty, it is required to apply for approval to or file with the competent tax authority for record because the preferential tax treatment is not automatically applied. Without approval or record filing, the non-resident enterprise will not enjoy the preferential tax treatment as stipulated in the tax treaty.

Value-added tax (“VAT”)

Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994. The Provisional Regulations were amended on November 10, 2008 and the amended Provisional Regulations came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (Revised in 2011) (《中華人民共和國增值稅暫行條例實施細則(2011年修訂)》) were promulgated by the Ministry of Finance (財政部) and the SAT on December 15, 2008 and were amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “VAT Law”). According to the VAT Law, all enterprises and individuals that engage in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay VAT.

ENVIRONMENTAL PROTECTION

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the “Environmental Protection Law”), which was promulgated by the Standing Committee of the NPC on December 26, 1989, revised on April 24, 2014 and came into effect on January 1, 2015, provides a regulatory framework to protect and develop the environment, prevent and reduce pollution and other public hazards, and safeguard human health. The environmental protection department of the State Council is in charge of promulgating national standards for environmental protection. The Environmental Protection Law requires any facility that produces pollutants or other hazards to adopt

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environmental protection measures in its operations and establish an environmental protection responsibility system. Enterprises that are in violation of the Environmental Protection Law may be subject to a warning, payment of damages, imposition of a fine, or limitation or suspension of production in accordance with the seriousness of the case. If a criminal offense is committed, the offender may be subject to criminal liabilities.

The Ministry of Environmental Protection of the PRC (中華人民共和國環境保護部) has formulated a series of supporting regulations to ensure effective enforcement of the new environmental protection law.

On December 19, 2014, the Ministry of Environmental Protection promulgated the Measures for the Disclosure of Environmental Information by Enterprises and Public Institutions (《企業事業單位環境信息公開辦法》)(the “Measures”), which came into effect on January 1, 2015. The Measures specifies units and scope of the environmental information disclosure, disclosure method, credit evaluation system establishment and legal liability. Enterprises and public institutions shall promptly and truthfully disclose their environmental information by the principle of combining the mandatory disclosure with the voluntary disclosure. The Measures specified the subject of liability to mandatory disclosure, which requires the environmental protection authorities to draw up a list of key pollutant-discharging units and supervise and guide the units to carry out the work. As to the content to disclosure, the environmental protection authorities are liable to supervise the disclosed contents according to the Measures.

On December 19, 2014, the Ministry of Environmental Protection promulgated the Measures for the Imposition of Consecutive Punishments on a Daily Basis by Environmental Protection Authorities (《環境保護主管部門實施按日連續處罰辦法》), which came into effect on January 1, 2015. The Measures specifies basis, principle, scope, procedure and method of calculating as to the consecutive punishments on a daily basis.

On December 19, 2014, the Ministry of Environmental Protection promulgated the Measures for the Imposition of Sealing up and Detaining by Environmental Protection Authorities (《環境保護主管部門實施查封、扣押辦法》), which came into effect on January 1, 2015. The Measures specifies the definition, scope of application, concrete object of sealing up and detaining, and the implementing procedures such as inspection, evidence collection, examination and approval, penalty decision enforcement, implementing period, retention and release.

On December 19, 2014, the Ministry of Environmental Protection promulgated the Measures for the Imposition of Restrictions on Production and Cessation of Production for Rectification by Environmental Protection Authorities (《環境保護主管部門實施限制生產、停產整治辦法》), which came into effect on January 1, 2015. Environmental protection authorities at or above the county level shall take measures such as restricting production, suspending production for rectification and severely disciplining the pollutants discharging exceeding the pollutant discharge standard or the controlling indicators for total emission volume of major pollutants.

The Law of the PRC on Prevention and Control of Water Pollution (《中華人民共和國水污染防治法》), which was amended by the Standing Committee of the NPC on February 28, 2008, the Law of the PRC on Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》),

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which was amended by the Standing Committee of the NPC on April 29, 2000 (On August 29, 2015 the Standing Committee of the NPC passed the amendments to this law which will come into effect on January 1, 2016), and the Law of the PRC on Prevention and Control of Environmental Noise Pollution (《中華人民共和國環境噪聲污染防治法》), which was promulgated by the Standing Committee of the NPC on October 29, 1996 and became effective on March 1, 1997, as well as the Law of the PRC on the Prevention and Control of Environmental Pollution by Solid Wastes (《中華人民共和國固體廢物污染環境防治法》), which was amended by the Standing Committee of the NPC on December 29, 2004 and June 29, 2013, prescribe the details for the prevention and control of water pollution, atmospheric pollution, noise pollution and solid waste pollution.

The Environmental Impact Appraisal Law (《中華人民共和國環境影響評價法》), which was promulgated by the Standing Committee of the NPC on October 28, 2002 and became effective on September 1, 2003, the Administration Rules on Environmental Protection of Construction Projects (《建設項目環境保護管理條例》), which was promulgated by the State Council and became effective on November 29, 1998, and the Measures for the Administration of Examination and Approval of Environmental Protection Facilities of Construction Projects (《建設項目竣工環境保護驗收管理辦法》), which was promulgated by the former State Environmental Protection Administration of the PRC (中華人民共和國國家環境保護總局) on December 27, 2001 and became effective on February 1, 2002, require enterprises planning construction projects to engage qualified professional institution to provide assessment reports on the environmental impact of such projects. The assessment report must be approved by the competent environmental protection authorities prior to commencement of any construction work. Enterprises shall file an application for examination and acceptance of the environmental protection facilities upon the completion of the construction project. A construction project may be formally put into production or use only if the corresponding environmental protection facilities have passed the acceptance examination.

EMPLOYMENT AND SOCIAL INSURANCE

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (the “Labor Contract Law”), which was promulgated by the Standing Committee of the NPC on June 29, 2007 and became effective on January 1, 2008 and whose amendments made on December 28, 2012 and came into effect on July 1, 2013, governs the relationship between employers and employees and provides for specific provisions in relation to the terms and conditions of an employment contract. The Labor Contract Law stipulates that employment contracts must be in writing and signed if labor relationships are to be or have been established between enterprise or entities on one hand and the laborers on the other hand. It imposes more stringent requirements on employers in relation to entering into fixed-term employment contracts, hiring of temporary employees and dismissal of employees.

As required under the Regulation of Insurance for Labor Injury (《工傷保險條例》), implemented on January 1, 2004 and amended on December 20, 2010 and came into effect on January 1, 2011, the Provisional Measures for Maternity Insurance of Employees of Corporations (《企業職工生育保險試行辦法》), implemented on January 1, 1995, the Decisions on the Establishment of a Unified Program for Old-Aged Pension Insurance of the State Council (《國務院關於建立統一的企業職工基本養老保險制度的決定》), issued on July 16, 1997, the Decisions on the Establishment of the Medical Insurance Program for Urban Workers of the State Council (《國務院關於建立城鎮職工基本醫療保險制度的決定》), promulgated on December 14, 1998, the Unemployment Insurance Measures

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(《失業保險條例》), promulgated on January 22, 1999, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), implemented on July 1, 2011, enterprises are obliged to provide their employees in the PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labor injury insurance and medical insurance. Enterprises must apply for social insurance registration with local social insurance agencies and pay premiums for their employees. If an enterprise fails to pay the required premiums on time or in full amount, the authorities in charge will demand the enterprise to settle the overdue amount within a stipulated time period and impose a 0.05% overdue fine. If the overdue amount is still not settled within the stipulated time period, an additional fine with an amount of three to five times of the overdue amount will be imposed.

According to the Regulation on Management of Housing Fund (《住房公積金管理條例》), which was promulgated by the State Council on April 3, 1999, became effective on the same day and was amended on March 24, 2002, enterprises must register with the competent managing center for housing funds and, upon the examination by such managing center of housing fund, complete procedures for opening an account at the relevant bank for the deposit of employees' housing funds. Employers are required to contribute, on behalf of their employees, to housing funds. The payment is required to be made to local administrative authorities. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

M&A RULES

Under the Rules on the Merger and Acquisition of Domestic Enterprises by Foreign Investors in PRC (《關於外國投資者併購境內企業的規定》) (the "M&A Rules"), which was issued by the MOFCOM, SASAC, SAT, SAIC, CSRC and SAFE on August 8, 2006, effective on September 8, 2006 and further amended on June 22, 2009 by the MOFCOM, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchase and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

HISTORY, DEVELOPMENT AND REORGANIZATION

GENERAL

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on November 4, 2014, and, as a result of the Reorganization, which refers to the reorganization of our Group commenced in September 2014 in preparation of the Listing, became the holding company of our Group with our business conducted through Dali (PRC), our indirect wholly-owned subsidiary, which in turn owns our PRC operating subsidiaries.

Please see the sections headed “—Corporate Development of Our Company” and “—Reorganization” for further details of the corporate and business development and reorganization of our Group.

OUR HISTORY AND BUSINESS MILESTONES

The history of our Group can be traced back to Hui'an Meili Minzheng Food Factory (惠安美利民政食品廠) (“Meili Food”), which was established as a collectively owned enterprise under the PRC laws in 1989. Meili Food carried out biscuit production business after its establishment. In 1992, Mr. Xu, our Chairman, executive Director and chief executive officer, was elected to be the legal representative of Meili Food. In the same year, Meili Food and its business partner established Fujian Dali as a joint venture in the name of Hui-an Dali Foodstuff Co., Ltd. FUJIAN (福建惠安達利食品有限公司) and introduced the first “Dali” branded biscuit product to the market. In the past 26 years, we have successfully developed into a leading branded snack food and beverage company in China with a diversified multi-brand product portfolio. Set out below are the significant milestones of our corporate and business development:

Year	Milestones
1989	Meili Food was established
August 1992	Fujian Dali was established and the first “Dali” branded biscuit product was introduced to the market
1996	“Dali” (“達利”) branded biscuits were recommended by the China Light Industry Machinery Association as a “Quality Product Known to and Trusted by Chinese Consumers (中國消費者信得過名優產品)”
October 1997	“Dali” (“達利”) branded food was listed as “Well-known Chinese Brand-name Products (中國公認名牌產品)”
July 1998	Fujian Dali Foodstuff Co. Ltd. Chengdu Branch (now known as Chengdu Dali Foods Co., Ltd.), our first subsidiary outside Fujian province, was established
March 2002	The “Daliyuan” (“達利園”) brand was launched by introducing Daliyuan bread, cakes and pastries

HISTORY, DEVELOPMENT AND REORGANIZATION

Year	Milestones
2002	We were rated as an “Leading Enterprise of National Food Industry (全國食品工業優秀龍頭食品企業)” by the China National Food Industry Association (中國食品工業協會)
March 2003	The “Copico” (“可比克”) brand was launched by introducing Copico chips, fries and others
March 2004	The “Haochidian” (“好吃點”) brand was launched by introducing Haochidian biscuits Our sales network extended to cover five geographic regions of China, including Northeast China, Northwest China, Southwest China, East China and Central China
September 2006	Daliyuan was credited as a “China Top Brand (Daliyuan) (中國名牌(達利園))” by the AQSIQ
2007	The “Heqizheng” (“和其正”) brand was launched by introducing “Heqizheng” (“和其正”) herbal tea We entered the beverage market and launched various beverage products, including “Heqizheng” (“和其正”) ready-to-drink herbal tea, “First Milk” (“優先乳”) flavored milk and “Daliyuan” (“達利園”) ready-to-drink tea
2008	We pioneered the introduction of 600ml PET bottled herbal tea under the “Heqizheng” (“和其正”) brand We were rated as one of the “Leading Enterprise of National Food Industry (全國食品工業優秀龍頭企業)” by the China National Food Industry Association
2010	We introduced the soft French bread product in China
2011	We were ranked as one of the “China Top 500 Private Enterprises” (中國民營企業500強)
2012	We have an established presence in 16 provinces of China
March 2013	The energy drink “Hi-Tiger” (“樂虎”) was launched
November 2014	High-end Danish butter cookies was launched under Daliyuan Landy Castle (“藍蒂堡”) brand in domestic market

HISTORY, DEVELOPMENT AND REORGANIZATION

CORPORATE DEVELOPMENT OF OUR COMPANY

Early history of our Company

Mr. Xu, our Chairman, executive Director and the chief executive officer, began his career in the snack food industry in 1980s. Since the establishment of Meili Food in 1989, Mr. Xu has accumulated extensive experience in, and developed his long-term commitment to, the snack food industry. In 1992, Mr. Xu was elected to be the legal representative of Meili Food, which was a collectively owned enterprise under the PRC laws, and led the establishment of Fujian Dali, which was initially named as Hui-an Dali Foodstuff Co., Ltd FUJIAN (福建惠安達利食品有限公司), the holding company of our PRC subsidiaries before completion of the Reorganization.

In 2000, Meili Food was converted into a private joint stock enterprise pursuant to the PRC laws with an initial registered capital of RMB100,000. Mr. Xu and his family members acquired the entire equity interest in Meili Food with their personal savings. Upon completion of this acquisition, Meili Food was wholly owned by Mr. Xu and his family members collectively.

Following the incorporation of Fujian Dali, our business had been conducted through Fujian Dali. Meili Food was subsequently deregistered in 2008.

Establishment and development of Fujian Dali

Establishment of Fujian Dali

In 1992, Meili Food and Ka Tat Company (加達有限公司) (“Ka Tat”), which is controlled by an independent third party, established Fujian Dali with an intention to introduce “Dali” branded biscuits into the PRC market. Fujian Dali was established on August 12, 1992 in the name of Hui-an Dali Foodstuff Co., Ltd FUJIAN (福建惠安達利食品有限公司) and with a registered capital of RMB1,500,000. Upon its incorporation, Fujian Dali was held as to 60% by Meili Food and as to 40% by Ka Tat.

In February 1997, with a view to developing our brand strategy, expanding market awareness and increasing market share, the shareholders of Fujian Dali decided to rename Fujian Dali as Fujian Dali Foodstuff Co., Ltd. (福建達利食品有限公司) pursuant to a resolution passed at the shareholders’ meeting of Fujian Dali. Since then, our snack food business expanded under the management of Mr. Xu and our management team, who possess strong execution capability and in-depth knowledge of the snack food industry.

Subsequent Changes in Shareholding Structure of Fujian Dali

A rapid growth of our business led a demand for further financing. On February 8, 1996 and April 17, 1998 respectively, Meili Food and Ka Tat injected an aggregate amount of RMB18.5 million to Fujian Dali. After completion of two rounds of capital injections, Fujian Dali was held as to 58% by Meili Food and as to 42% by Ka Tat with an increased registered capital of RMB20 million.

HISTORY, DEVELOPMENT AND REORGANIZATION

On November 16, 2004, Ka Tat and Meili Food entered into an equity transfer agreement, pursuant to which Ka Tat agreed to sell and Meili Food agreed to purchase the equity interest held by Ka Tat in Fujian Dali for a consideration of RMB8.40 million. The consideration was determined based on the then paid-up capital of Fujian Dali of RMB20 million attributable to the equity interest being transferred. Upon completion of this acquisition, Fujian Dali became a wholly-owned subsidiary of Meili Food.

On March 16, 2005, Meili Food subsequently transferred the entire equity interest in Fujian Dali to Mr. Xu, Ms. Chen, the spouse of Mr. Xu, and Ms. Xu, the daughter of Mr. Xu and Ms. Chen, at a total consideration of RMB60 million, which was determined based on the registered capital of Fujian Dali as at February 24, 2005 as set out in the capital verification report issued by a PRC accountants firm on March 24, 2005. The Xu's Family's funding for this acquisition was generated from their business saving. Upon completion of this transfer, Fujian Dali was held as to 67.44% by Mr. Xu, as to 23.00% by Ms. Chen and as to 9.56% by Ms. Xu with an increased registered capital of RMB80 million.

Further Development of Fujian Dali

In August 2005, pursuant to a resolution passed at the shareholders' meeting of Fujian Dali, Fujian Dali was further renamed from Fujian Dali Foodstuff Co., Ltd. (福建達利食品有限公司) to Fujian Dali Foods Group Limited (福建達利食品集團有限公司), following which the development of our Group entered into a new phase. After a series of capital injections and expansion of business scope, Fujian Dali was developed into a holding company of our 18 subsidiaries located in 16 provinces with an increased registered capital of RMB1,650 million and a broader business scope covering research and development, manufacturing and sale of various snack food and non-alcoholic beverage products. Immediately before the Reorganization, Fujian Dali was held as to 55% by Mr. Xu, 15% by Ms. Chen and 30% by Ms. Xu.

Having considered that the assets distributed to and retained by Fujian Dali, which mainly consist of certain working capital incurred by Fujian Dali before completion of the Reorganization, certain properties and land and certain on-going business contracts that are not part of our core assets and that including such assets in our Group would unnecessarily increase the costs incurred by us in connection with the Reorganization; we decided to exclude Fujian Dali from our Group and transferred certain principal business and operating assets of Fujian Dali to Dali (PRC) as part of the Reorganization for the purpose of the Listing. Following these transfers, Fujian Dali ceased to carry out any business in relation to production of snack food and non-alcoholic beverage products. Please see the paragraph headed “—Reorganization” below for further details.

HISTORY, DEVELOPMENT AND REORGANIZATION

Expansion of our operations and formation of Dali Group

Establishment of Our Subsidiaries

Envisioning the market potential of the snack food and non-alcoholic beverage industry, Fujian Dali and/or our Controlling Shareholders and their family members established a number of PRC operating companies that are engaged in business of production of various snack food and non-alcoholic beverage products. The following table contains some brief details of the Food and Beverage Subsidiaries engaging in operations of snack food and non-alcoholic beverage business:

Name	Date of Incorporation	Place of Incorporation	Registered Capital as at the Latest Practicable Date (RMB million)
Dali (PRC).....	February 10, 1993	Fujian province	950
Quanzhou Dali	January 12, 1993	Quanzhou, Fujian province	91
Hubei Dali	June 16, 2005	Hanchuan, Hubei province	209
Jilin Dali	June 17, 2005	Zhuchengzi County, Dehui, Jilin province	100
Jinan Dali	June 18, 2005	Jiyang County, Jinan, Shandong province	190
Chengdu Dali	June 28, 2005	Chengdu, Sichuan province	105
Gansu Dali	August 31, 2005	Wuwei, Gansu province	209
Ma'anshan Dali	October 9, 2007	Ma'anshan, An Hui province	160
Shanxi Dali	November 15, 2007	Changzhi, Shanxi province	105
Yunnan Dali	March 25, 2008	Yuxi, Yunnan province	110
Henan Dali	July 21, 2010	Xinzheng, Henan province	150
Nanchang Dali	August 2, 2010	Nanchang, Jiangxi province	140
Guangdong Dali	August 5, 2010	Zhaoqing, Guangdong province	200
Jiangsu Dali.....	August 23, 2010	Suqian, Jiangsu province	200
Hebei Dali	April 22, 2011	Bazhou, Hebei province	100
Shaanxi Dali	June 28, 2011	Xianyang, Shaanxi province	80
Shenyang Dali.....	May 21, 2012	Shenyang, Liaoning province	10

HISTORY, DEVELOPMENT AND REORGANIZATION

During the Track Record Period, the Food and Beverage Subsidiaries have all been principally engaged in the production of bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based and milk beverages; energy drinks; other beverage products and, except for Shaanxi Dali, which is in the procedure of obtaining license for production of energy drinks, all other Food and Beverage Subsidiaries have also been engaged in production of energy drinks.

Onshore Restructuring

Acquisition of Quanzhou Dali and Hui'an Packaging from the Xu's Family

To consolidate the businesses involved in the production of snack food and packaging, we acquired the following two subsidiaries from the Xu's Family.

We acquired the entire equity interest in Quanzhou Jiahe Food Company Limited (泉州嘉禾食品有限公司) (“Quanzhou Jiahe”), the principal business of which was the production of snack food, from Gain Alliance Investment Limited (“Gain Alliance”), which was a company incorporated under the laws of Hong Kong and controlled by the Xu's Family. Quanzhou Jiahe was originally established as a wholly foreign-owned enterprise by L.G. Foods Corporation (菲律賓嘉禾食品國際股份有限公司) (“Philippines Jiahe”), a Philippines incorporated company that is an independent third party, on January 12, 1993 with an initial registered capital of HK\$35 million. In November 2001, Meili Food invested in Quanzhou Jiahe by way of injection of tangible assets with a value of HK\$5 million. In August 2005, Philippines Jiahe, Meili Food and Gain Alliance entered into an equity transfer agreement, pursuant to which Gain Alliance acquired the entire equity interest in Quanzhou Jiahe for the consideration of RMB11 million. Subsequent to the increases in the registered capital of Quanzhou Jiahe to HK\$99.5 million from 2007 to 2013, on July 11, 2013, Fujian Dali entered into an equity transfer agreement (the “Quanzhou Jiahe Acquisition Agreement”) with Gain Alliance, pursuant to which, Fujian Dali acquired the entire equity interest in Quanzhou Jiahe from Gain Alliance for the consideration paid of HK\$133.60 million, which was determined with reference to the valuation of Quanzhou Jiahe as at May 31, 2013 as set out in the valuation report issued by a PRC valuer on June 28, 2013 (“Quanzhou Jiahe Acquisition”). The consideration was fully settled on June 30, 2013. Upon completion, Quanzhou Jiahe was renamed to Quanzhou Dali Foods Co., Ltd. (泉州達利食品有限公司) and became a wholly-owned subsidiary of Fujian Dali with a registered and paid-up capital of approximately RMB90.94 million.

We also acquired Hui'an Packaging, the principal business of which is packaging, decoration, color printing and processing from Gain Alliance. Hui'an Packaging was originally established as a wholly foreign-owned enterprise by Tai Fat Paper Products Factory Ltd. (大發紙品廠有限公司) (“Tai Fat”), a Hong Kong incorporated company that is an independent third party, on February 10, 1993 with an initial registered capital of HK\$15 million. In August 2005, the Xu's Family, through Gain Alliance, acquired the entire equity interest in Hui'an Packaging from Tai Fat for the consideration of RMB5.6 million, which was determined with reference to the valuation of Hui'an Packaging. Subsequent to increase in the registered and paid-up capital of Hui'an Packaging to HK\$67.80 million, on July 11, 2013, Fujian Dali entered into an equity transfer agreement (the “Hui'an Packaging Acquisition Agreement”) with Gain Alliance, pursuant to which, Fujian Dali acquired the entire equity interest in Hui'an Packaging from Gain Alliance for the consideration paid of HK\$79.50 million, which was determined with reference to the valuation of Hui'an Packaging as at July 25, 2013 as set

HISTORY, DEVELOPMENT AND REORGANIZATION

out in the valuation report issued by a PRC valuer on July 25, 2013 (“Hui’an Packaging Acquisition”). The consideration of Hui’an Packaging Acquisition was fully settled on July 25, 2013. Upon completion, Hui’an Packaging became a wholly-owned subsidiary of Fujian Dali with a registered and paid-up capital of approximately RMB58.14 million.

Please see the paragraph headed “—Reorganization” below for further details of transfers of equity interest in Hui’an Packaging subsequent to the Hui’an Packaging Acquisition.

As advised by our PRC Legal Advisors, we have obtained and completed all requisite approvals, registrations and/or filings in all material aspects from the relevant PRC authorities in respect of the Quanzhou Jiahe Acquisition and the Hui’an Packaging Acquisition.

Acquisitions of Equity Interests in Subsidiaries from our Controlling Shareholders

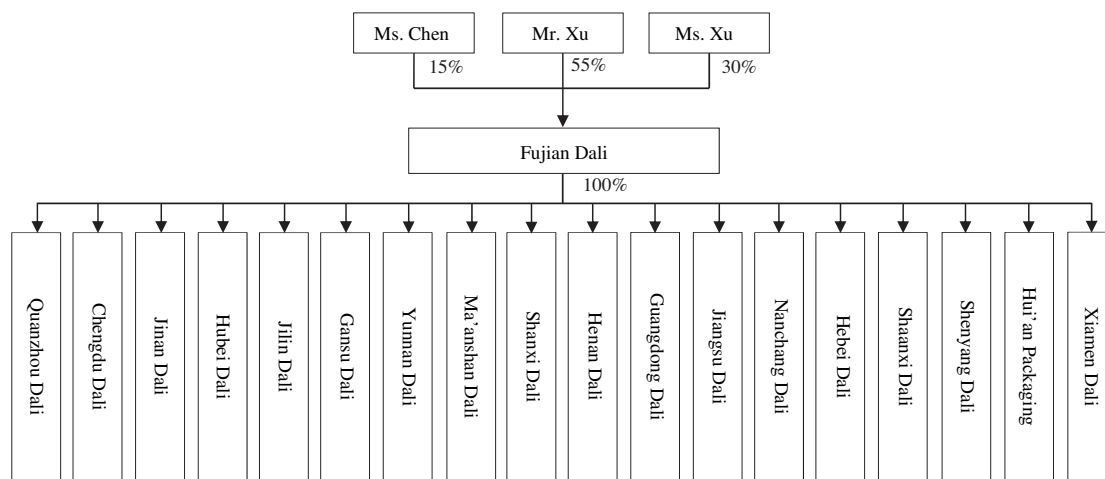
To streamline and optimize the shareholding structure and to achieve the long-term sustainable development of our Group, Mr. Xu and his family members transferred their respective interests in the following 12 PRC subsidiaries to Fujian Dali. The consideration for each transfer was determined based on the investment amount injected by Mr. Xu and his family members collectively into the relevant subsidiary. Upon completion of these transfers, Fujian Dali held the entire equity interest in all our PRC subsidiaries:

Name	Shareholding Structure before Transfer		Shareholding Structure after Transfer	Consideration (RMB million)	Completion Date
	Mr. Xu and his family members	Fujian Dali	Fujian Dali		
Nanchang Dali	37.5%	62.50%	100%	45.00	August 7, 2012
Guangdong Dali	47.22%	52.78%	100%	85.00	August 8, 2012
Jiangsu Dali	48.15%	51.85%	100%	65.00	August 10, 2012
Shanxi Dali	49%	51%	100%	51.45	March 20, 2013
Jilin Dali	49%	51%	100%	49.00	April 7, 2013
Ma’anshan Dali	49%	51%	100%	66.64	April 10, 2013
Jinan Dali	49%	51%	100%	93.10	April 15, 2013
Yunnan Dali	49%	51%	100%	53.90	April 18, 2013
Henan Dali	46.66%	53.34%	100%	70.00	August 5, 2013
Chengdu Dali	49%	51%	100%	51.45	July 4, 2014
Hubei Dali	49%	51%	100%	102.41	August 1, 2014
Gansu Dali	49%	51%	100%	102.41	September 15, 2014

HISTORY, DEVELOPMENT AND REORGANIZATION

REORGANIZATION

In preparation for the Listing, our Group has undertaken the Reorganization. Set out below is the corporate structure of our Group immediately prior to the Reorganization:



The Reorganization commenced in September 2014 and primarily involved the following steps:

Equity interest transfer of Hui'an Packaging

On September 8, 2014, Fujian Dali and CDH Delicacy (HK), a wholly-owned subsidiary of CDH Delicacy, entered into a share transfer agreement in relation to Hui'an Packaging, pursuant to which, Fujian Dali agreed to sell and CDH Delicacy (HK) agreed to purchase 1% of the equity interest in Hui'an Packaging at a consideration paid of RMB812,978.52, which was settled in full by CDH Delicacy (HK) in October 2014 (the "Hui'an Sale"). The consideration for the Hui'an Sale was determined based on the net asset value of Hui'an Packaging of approximately RMB81.33 million as of August 31, 2014, as set out in the auditor's report of Hui'an Packaging issued by a PRC accountants firm on October 24, 2014.

Establishment of our offshore holding companies

On November 4, 2014, Mr. Xu, Ms. Chen and Ms. Xu, through their respective investment holding vehicles, together incorporated Divine Foods in BVI and have since then held 50%, 10% and 40% in the issued share capital of Divine Foods.

On November 4, 2014, our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with authorized share capital of US\$50,000 divided into 50,000 shares of a par value of US\$1.00 each. Upon establishment, our Company was wholly owned by Divine Foods.

Our Company established Dali (BVI) on November 4, 2014, which in turn established Dali (HK) on November 11, 2014.

HISTORY, DEVELOPMENT AND REORGANIZATION

Acquisition of Hui'an Packaging

On November 24, 2014, Fujian Dali, CDH Delicacy (HK) and Dali (HK) entered into a sale and purchase agreement, pursuant to which Fujian Dali and CDH Delicacy (HK) transferred their entire equity interests in Hui'an Packaging to Dali (HK) for a total consideration paid of RMB78,920,000 ("Hui'an Acquisition"), as determined based on the net asset value of Hui'an Packaging as at October 31, 2014, as set out in a valuation report issued by a PRC valuer on November 16, 2014.

Subsequent to the Hui'an Acquisition, Hui'an Packaging was further renamed as Dali Foods Group Co., Ltd. (達利食品集團有限公司), namely, Dali (PRC), with a business scope covering research and development, manufacturing and sale of various snack food and non-alcoholic beverage products, packaging, decoration and color printing.

Reorganization of our PRC subsidiaries and transfer of our business from Fujian Dali to Dali (PRC)

Prior to the Reorganization, Fujian Dali held the entire equity interests in our 17 PRC operating subsidiaries and certain principal business and operating assets of our Group. During the period from November to December of 2014, Dali (PRC) and Fujian Dali entered into a series of share transfer agreements, pursuant to which Fujian Dali transferred the entire equity interests in our 17 PRC operating subsidiaries to Dali (PRC) ("Subsidiaries Reorganization"). On December 31, 2014, Fujian Dali and Dali (PRC) entered into a business and assets transfer agreement, pursuant to which Fujian Dali transferred its employees, business contracts, operating assets primarily consisting of machines, equipment, inventories and certain working capital, to Dali (PRC) (the "Business Transfer"). The aggregate consideration paid for the Subsidiaries Reorganization and the Business Transfer paid by us was RMB2,497,510,110.53, as determined based on the aggregate amount of the registered capitals and investment commitments of the 17 PRC operating subsidiaries and the working capitals of Fujian Dali.

The total consideration for the Hui'an Acquisition, the Subsidiaries Reorganization and the Business Transfer paid by us was RMB2,576,430,110.53, among which, RMB2,575,640,910.53 was payable to Fujian Dali and RMB789,200 was payable to CDH Delicacy (HK).

After completion of the Subsidiaries Reorganization and the Business Transfer, Dali (PRC) became the holding company of all our 17 PRC operating subsidiaries and Fujian Dali ceased to carry out any business in relation to the production of snack food and non-alcoholic beverage products.

As advised by our PRC Legal Advisors, we have obtained and completed all requisite approvals, registrations and/or filings in all material aspects from the relevant PRC authorities in respect of the Reorganization, and the Reorganization to the extent that PRC laws and regulations are applicable, has in all material aspects complied with the applicable laws and regulations in the PRC.

HISTORY, DEVELOPMENT AND REORGANIZATION

Further, as Dali (PRC), previously a PRC domestic company, was converted into a foreign-invested enterprise by means of Equity Acquisition (as defined in the M&A Rules), it does not fall within the definition of a foreign-invested enterprise particularly set up for the purpose of acquiring certain assets in the event of Asset Acquisition (as defined in the M&A Rules) and, as such, the M&A rules do not apply to the Business Transfer.

PRE-IPO INVESTMENT

For the benefit of long-term business development and expansion of our Group, we and our Controlling Shareholders entered into the CDH Subscription Agreement and the Shareholders Agreement on April 29, 2015 with CDH Delicacy to provide financial resources to our Group. In accordance with the CDH Subscription Agreement, we allotted and issued to CDH Delicacy 300 ordinary shares (the “CDH Subscription Shares”) of our Company of a par value of US\$1.00 each at a consideration paid of RMB 1.11 billion, which was determined with reference to the earnings and growth potentials of our business. Upon completion of the Pre-IPO Investment, CDH Delicacy held 3% of the enlarged issued share capital of our Company as a result of issue of the CDH Subscription Shares. Details of the share subscription by CDH Delicacy are set out below:

Date of investment agreement	Amount of consideration paid	Payment date	Cost per Share	Discount to the Offer Price ⁽¹⁾	Use of proceeds (fully utilized)	Shareholding in our Company immediately after the investment	Shareholding in our Company upon Listing (assuming Over-allotment Option is not exercised)	Strategic benefits to our Company
	(RMB million)		(RMB)					
April 29, 2015	1,110	May 4, 2015	3.083 (after the Capitalization Issue)	44.75%	To settle the payables to Shareholders, payment of expenses in relation to the Listing and general working capital of our Group	3.0%	2.63%	Knowledge and experience in the development of business strategy and potential acquisition

Note:

(1) Assuming the Offer Price is fixed at HK\$5.58, being the mid-point of the indicative Offer Price range.

HISTORY, DEVELOPMENT AND REORGANIZATION

Rights of Pre-IPO Investor

Pursuant to the Shareholders Agreement, CDH Delicacy was granted certain special rights in relation to our Company and the Shareholders Agreement and such special rights will be terminated upon the earliest of (i) the Listing; (ii) termination by mutual written agreement by each party to the Shareholders Agreement; and (iii) CDH Delicacy ceasing to hold any of our Shares or equity interests in our Shares.

Set forth below is a summary of the principal special rights granted to CDH Delicacy pursuant to the Shareholders Agreement.

<i>Board representation</i>	The Board shall comprise of not more than nine directors, one of whom shall be nominated by CDH Delicacy.
<i>Information right</i>	Our Company shall provide CDH Delicacy with (i) the annual audited consolidated financial statements of our Group for such financial year within four months after the end of the relevant financial year; (ii) the half-year consolidated financial statements of our Group within 60 days after the end of each relevant period; (iii) all quarterly consolidated financial statement of our Group within 60 days after the end of the relevant period; and (iv) the annual financial budget, capital expense plan and business plan before 30 days from the commencement of the relevant financial year.
<i>Protection on minority shareholders' right</i>	If the proposed issue price for any new ordinary shares to be issued by our Company is less than the average subscription price paid by CDH Delicacy for CDH Subscription Shares (the "Investor Price"), our Company shall issue additional number of ordinary shares or securities of our Company to CDH Delicacy such that the Investor Price is adjusted to be equal to the proposed issue price.
<i>Right of first refusal</i>	Each of our Controlling Shareholders shall first offer CDH Delicacy the right to purchase the respective ordinary shares of our Company held by such Controlling Shareholder before they are offered to any third parties.

HISTORY, DEVELOPMENT AND REORGANIZATION

Tag-along right

In the case that CDH Delicacy does not exercise its right of first refusal to purchase any or all of ordinary shares of our Company to be sold by our Controlling Shareholders, CDH Delicacy and our Controlling Shareholders agreed that if our Controlling Shareholders propose to transfer a portion of ordinary shares of our Company held by them to any person (the “Proposed Transferee”), then CDH Delicacy shall have the right to require the Proposed Transferee to purchase from CDH Delicacy the same portion of the ordinary shares of our Company held by them for the same price per share and upon the same terms and conditions as to be paid and given to our Controlling Shareholders; and if our Controlling Shareholders propose to transfer any or all of the ordinary shares of our Company held by them to the Proposed Transferee that would, together with any ordinary shares of our Company previously sold by our Controlling Shareholders, result in a decrease in the interests collectively held by our Controlling Shareholders in our Company representing 50% or more of the total interests collectively held by our Controlling Shareholders as at the completion of the Pre-IPO Investment, then CDH Delicacy shall have the right to require the Proposed Transferee to purchase from CDH Delicacy all the ordinary shares of our Company held by it.

Pre-emptive right

We have agreed with CDH Delicacy and our Controlling Shareholders that if we propose to issue any new ordinary shares or other equity securities of our Company to any person (the “Proposed Subscriber”), then CDH Delicacy shall have a pre-emptive right to purchase a pro rata portion of any new ordinary shares or other equity securities of our Company for the same price per share and upon the same terms and conditions as to be paid by the Proposed Subscriber, unless such issuance is made (i) under the CDH Subscription Agreement or pursuant to the provision in relation to the protection of rights of minority shareholder(s), (ii) in accordance with an employee share option scheme as approved by the Board, or (iii) the Listing.

Veto rights

Certain corporate actions of our Company require approval of CDH Delicacy. Such actions include, among other things, issue of new securities by any member of our Group, any reorganization, merger, or spin-off by any member of our Group, acquisition by any member of our Group, entering into of any transactions exceeding RMB100 million, capital expenses exceeding RMB100 million, purchase or disposal of any assets exceeding RMB100 million and any changes in our Company’s accountants or accounting policies.

Quorum

Quorum of Board meetings shall be three Directors of our Company, one of which shall be the CDH nominated director; quorum of Shareholders’ meetings shall be two Shareholders, one of which shall be CDH Delicacy.

HISTORY, DEVELOPMENT AND REORGANIZATION

Information on the Pre-IPO Investor

CDH Delicacy is a limited liability company incorporated under the laws of the BVI as an investment vehicle. As at the Latest Practicable Date, CDH Delicacy was held as to 59.5% by CDH Fund V, L.P. and as to 40.5% by Tianjin Dinghui Jiashang Equity Investment Partnership (LLP) (天津鼎暉嘉尚股權投資合夥企業(有限合夥)). The general partner of CDH Fund V, L.P. is CDH V Holdings Company Limited, which is ultimately controlled by China Diamond Holdings Company Limited. China Diamond Holdings Company Limited is a private equity company primarily specializing in growth capital, middle market and buyout investments in Greater China.

Save for the investments made pursuant to the CDH Subscription Agreement and the Shareholders Agreement, none of CDH Delicacy and its beneficial owners has any other relationship with our Group or any connected persons (as defined in Rule 1.01 of the Listing Rules) of our Company.

Lock-up and Public Float

As (i) none of CDH Delicacy and its beneficial owners is a connected person (as defined in Rule 1.01 of the Listing Rules) of our Company, (ii) the acquisition of CDH Subscription Shares was not financed by our Company or any connected persons of our Company and (iii) CDH Delicacy is not accustomed to take instruction from our Company or any connected persons of our Company in relation to the acquisition, disposal, voting or other disposition of securities of our Company registered in its name or otherwise held by it, Shares held by CDH Delicacy will be counted towards the public float after the Listing.

CDH Delicacy has agreed that, it will not, at any time during the period of six months following the Listing Date, dispose of any of its Shares.

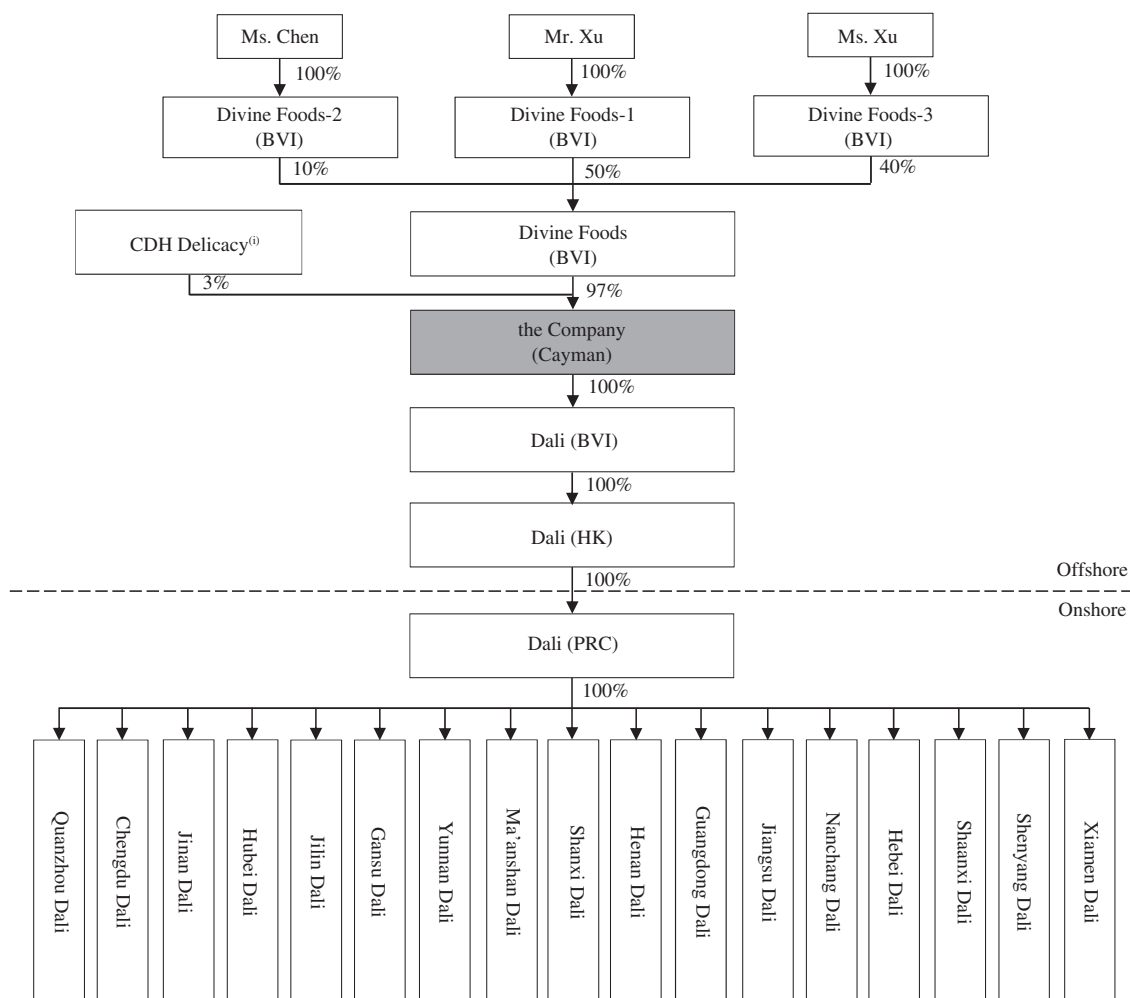
Compliance with Interim Guidance

On the basis that (i) the consideration for the pre-IPO investment was settled more than 28 clear days before the date of our first submission of the listing application form, to the Listing Division of the Stock Exchange in relation to the Listing and (ii) the special rights granted to CDH Delicacy will terminate upon Listing, the Joint Sponsors are not aware of any circumstances or incidences that could lead to their belief that the pre-IPO investment by CDH Delicacy is not in compliance with the Interim Guidance on Pre-IPO Investments issued by the Stock Exchange on October 13, 2010, the Guidance Letter HKEx-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and the Guidance Letter HKEx-GL44-12 issued by the Stock Exchange in October 2012.

HISTORY, DEVELOPMENT AND REORGANIZATION

OUR STRUCTURE IMMEDIATELY PRIOR TO THE GLOBAL OFFERING

The following diagram sets forth the shareholding structure of our Group after the Reorganization and immediately prior to the Global Offering:

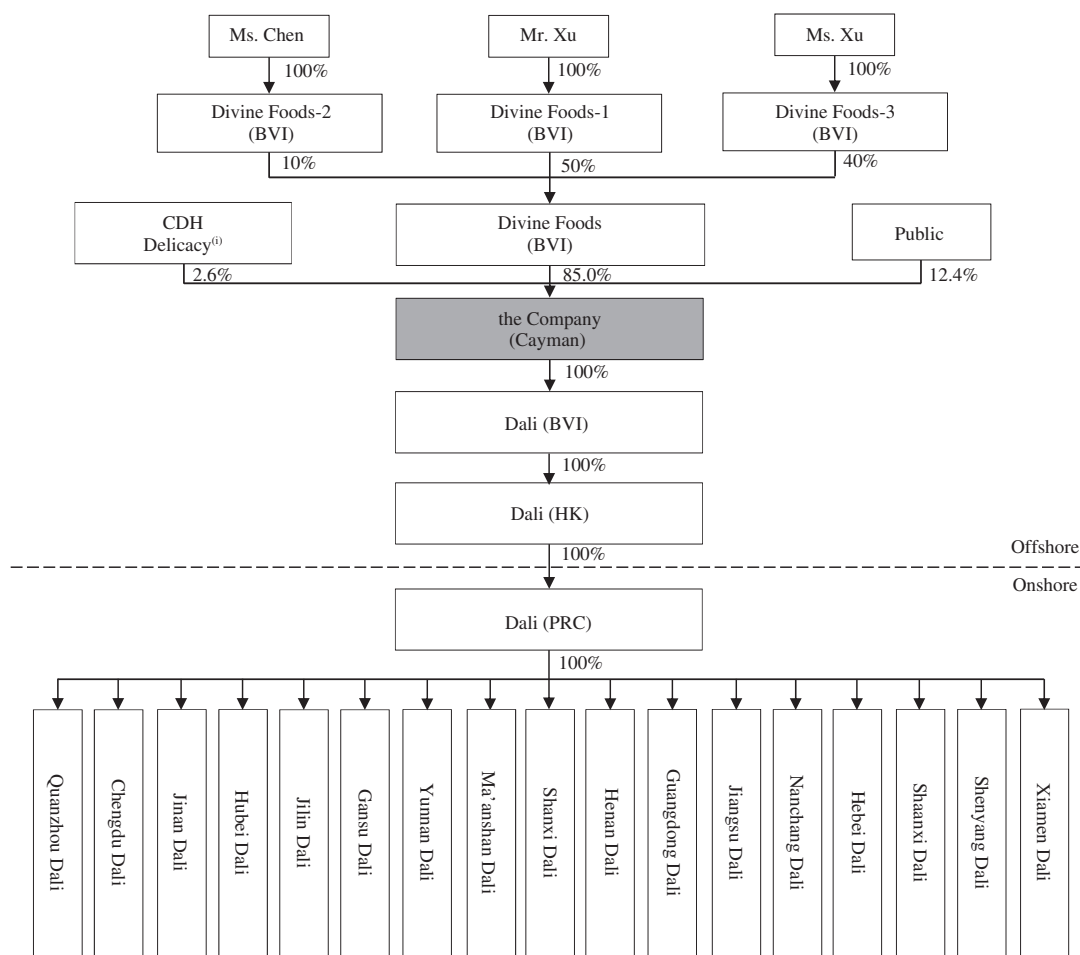


- (i) CDH Delicacy is a limited liability company incorporated under the laws of the BVI as an investment vehicle. As at the Latest Practicable Date, CDH Delicacy was held as to 59.5% by CDH Fund V, L.P. and as to 40.5% by Tianjin Dinghui Jiashang Equity Investment Partnership (LLP) (天津鼎暉嘉尚股權投資合夥企業(有限合夥)). The general partner of CDH Fund V, L.P. is CDH V Holdings Company Limited, which is ultimately controlled by China Diamond Holdings Company Limited.

HISTORY, DEVELOPMENT AND REORGANIZATION

OUR STRUCTURE AFTER THE GLOBAL OFFERING

The following diagram sets forth the shareholding structure of our Group immediately following the Global Offering, assuming that the Over-allotment Option is not exercised:



- (i) CDH Delicacy is a limited liability company incorporated under the laws of the BVI as an investment vehicle. As at the Latest Practicable Date, CDH Delicacy was held as to 59.5% by CDH Fund V, L.P. and as to 40.5% by Tianjin Dinghui Jiashang Equity Investment Partnership (LLP) (天津鼎暉嘉尚股權投資合夥企業(有限合夥)). The general partner of CDH Fund V, L.P. is CDH V Holdings Company Limited, which is ultimately controlled by China Diamond Holdings Company Limited.

HISTORY, DEVELOPMENT AND REORGANIZATION

COMPLIANCE WITH PRC LAWS

SAFE Circular No. 37

The SAFE promulgated Circular 37 on July 14, 2014 which rescinded Circular 75. Subject to Circular 37, domestic resident, individuals or institutions are required to register with the relevant bureau of foreign exchange administration before they could invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC. Failure to comply with the registration procedures set forth in Circular 37 may result in restrictions imposed on the subsequent foreign exchange activities of the relevant domestic residents, including the remitting back of dividends and profits. Domestic residents who invest in special purpose vehicles with legitimate assets or equity interests inside and outside the PRC prior to the implementation of Circular 37, but fail to conduct the foreign exchange registration of overseas investments, shall submit an explanatory statement stating the reasons to the relevant bureau of foreign exchange administration. The relevant bureau of foreign exchange administration may allow complementary registration under the principles of legality and legitimacy. In the event of any violation of foreign exchange regulations by domestic residents who apply for the aforesaid complementary registration, administrative penalty would be imposed in accordance with the relevant laws. Our PRC Legal Advisors, Jingtian & Gongcheng, has advised that our shareholders who are PRC residents, namely Mr. Xu, Ms. Chen and Ms. Xu, had completed initial registration under the SAFE Circular No. 37 on December 12, 2014.

M&A Rules

Under the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from MOFCOM is required.

Our PRC Legal Advisor advised that the acquisition of 1% equity interest in Hui'an Packaging by CDH Delicacy from Fujian Dali (the "1% Acquisition"), details of which are set out in the paragraph headed "—Reorganization—Equity interest transfer of Hui'an Packaging" in this section, is subject to the relevant approval and filings requirements set forth in the M&A Rules. As confirmed by our PRC Legal Advisor, all the requisite approvals, permits and licenses in relation to the 1% Acquisition had been obtained pursuant to the applicable laws and regulations in the PRC and the 1% Acquisition had been duly approved by competent governmental authorities in accordance with the M&A Rules and was in compliance with the M&A Rules in all material respects.

HISTORY, DEVELOPMENT AND REORGANIZATION

For the acquisition of 100% interests in Hui'an Packaging by Dali (HK) from Fujian Dali (99%) and CDH Delicacy (1%), details of which are set out in the paragraph headed “—Reorganization—Acquisition of Hui'an Packaging” in this section, our PRC Legal Advisors advised that since Fujian Dali and CDH Delicacy transferred their 100% equity interest in Hui'an Packaging to Dali (HK) after the transformation of Hui'an Packaging into a sino-foreign joint venture, the aforesaid acquisition is an acquisition of equity in a foreign invested enterprise, and as such, the M&A Rules is not applicable and approval from MOFCOM and/or CSRC is not required. Instead, the acquisition shall comply with the Alteration of Investor's Equities in Foreign-funded Enterprises (外商投資企業投資者股權變更的若干規定) (FIE Rules), which requires approval of the original approving authority, i.e. the Fujian MOFCOM (or its authorized local counterpart). Given that Hui'an Packaging was converted into a sino-foreign joint venture through the 1% Acquisition but not a foreign-funded enterprise which is particularly established for the purpose of acquiring certain assets in the PRC, our PRC Legal Advisors advised that the M&A Rules are not applicable to the transfer of business and related assets of Fujian Dali to Dali (PRC), details of which are set out in the paragraph headed “—Reorganization—Reorganization of our PRC subsidiaries and transfer of our business from Fujian Dali to Dali (PRC)” in this section.













Our PRC Legal Advisors advised that the aforesaid acquisitions have obtained approval from all relevant authorities and fully complied with the requirements under applicable PRC laws and regulations, including the M&A Rules and the FIE Rules.

The PRC Legal Advisors further confirmed that all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Reorganization have been obtained, and the Reorganization has complied with all applicable laws and regulations of the PRC.

BUSINESS

OVERVIEW

We are a leading branded snack food and beverage company in China with a diversified multi-brand product portfolio focusing on high-growth product categories. Our ability to successfully launch new products on a continuous basis is the key to our industry-leading position. For the years ended December 31, 2012, 2013 and 2014, our sales of New Products contributed 54.6%, 25.6% and 33.5%, respectively, of our total revenue. Benefiting from our strong product innovation capabilities, an extensive nationwide sales and distribution network that penetrates deeply throughout the China market, strategically located nationwide production facilities, well-known food and beverage brands and an experienced and efficient management team, we have created prominent and diversified portfolios of products and brands. We have six Core Product Categories of bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based dairy beverage; and energy drinks. Each of these product categories achieved retail sales value over RMB1.5 billion in the year ended December 31, 2014, and holds a market-leading position in its product category, according to Frost & Sullivan. They include the following:

Product Category	Brand Logo	Sample Product Photos	Brands and Key Products	Market Share Ranking ⁽¹⁾	Our Market Share ⁽¹⁾ (%)	Year Launched ⁽²⁾	% of Our Sales in the Year Ended December 31, 2014 (%)	Expected Market Size in the Year Ending December 31, 2019 ⁽³⁾ (RMB, billion)	Expected CAGR of Market Size from 2014 to 2019 ⁽³⁾ (%)
Food									
Bread, Cakes and Pastries			Daliyuan (custard pies, soft French bread, Swiss rolls, cakes, croissants)	#1	21.9	2002	38.4	102.4	13.1
Chips, Fries and Others			Copico (potato chips, French fries, potato bubbles)	#3	15.1	2003	10.2	42.0	15.7
Biscuits.....			Haochidian (crispy biscuits, Danish butter cookies)	#2	4.9	2004	8.4	87.7	10.5
Beverage									
Herbal Tea			Heqizheng (ready-to-drink herbal tea)	#3	9.9	2007	15.9	104.3	15.4
Plant-based Dairy Beverage			Daliyuan (peanut milk)	#2	16.3	2010	9.6	45.9	18.1
Energy Drinks			Hi-Tiger (energy drink)	#3	5.3	2013	5.3	101.3	21.8
Total							<u>87.9</u>	<u>483.4</u>	<u>15.3</u>

Note:

- (1) Our market share in terms of retail sales value for the year ended December 31, 2014 in each respective product category's market, according to Frost & Sullivan.

BUSINESS

- (2) Refers to the year in which the first product in the respective brand or product category was launched.
- (3) According to Frost & Sullivan.

Leveraging our strong capabilities in product innovation, development and commercialization, we expect to launch five to ten new products in 2015 and 2016, continuously enhancing our product portfolio to keep driving our sales growth. As of the Latest Practicable Date, we had 16 food products and six beverage products in our research and development pipeline.

We have built an extensive nationwide sales and distribution network through our distributors and key accounts. This network penetrates a wide range of points-of-sale, enabling us to sell products at all levels of the market, from provinces to counties, villages and towns throughout China. As of June 30, 2015, we had 3,951 distributors and a sales network covering all provinces, cities and most of the county-level divisions in China. We have increased our focus on China's fast-growing modern retail channel in recent years, with more sales efforts such as marketing campaigns.

We have 16 strategically located production bases with 32 food- and beverage-related production facilities throughout China, which enable us to manufacture all of our products in-house and efficiently adjust our production in accordance with changes in local markets. Moreover, this also allows us to maintain a logistic cost advantage and to rapidly replenish our products.

Our success is evidenced by our strong financial track record. Our revenue increased by 18.6% from RMB10,812.0 million in 2012 to RMB12,827.0 million in 2013, by 16.1% to RMB14,894.0 million in 2014, and by 15.1% from RMB7,388.1 million in the six months ended June 30, 2014 to RMB8,504.5 million in the same period of 2015. Our net profit increased by 71.9% from RMB692.6 million in 2012 to RMB1,190.8 million in 2013, by 74.4% from 2013 to RMB2,076.7 million in 2014, and by 46.6% from RMB1,034.5 million in the six months ended June 30, 2014 to RMB1,517.1 million in the same period of 2015.

OUR COMPETITIVE STRENGTHS

1. One of the Most Diversified Product Portfolios with Leading Positions Across Multiple High-Growth Categories

Benefiting from iconic household brands across a wide range of product categories, we have one of the most extensive product portfolios among snack food and non-alcoholic beverage companies in China, and have six prominent, leading product categories, each with retail sales value over RMB1.5 billion in the year ended December 31, 2014, according to Frost & Sullivan. Moreover, our six Core Product Categories ranked among the top three positions in their respective market segments in China in the same period in terms of retail sales value, according to Frost & Sullivan. We strategically focus on developing snack food and beverage products including bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based and milk beverages; and energy drinks. We believe that these product categories have great growth potential and offer more attractive profit margins and have higher expected growth rates than the overall food and beverage industry. The market segments of our six Core Product Categories had a total retail sales value of RMB237.3 billion in 2014 and have an expected CAGR of 15.3% from 2014 to 2019, higher than the food and beverage industry as a whole, according to Frost & Sullivan.

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We are a leading branded snack food and beverage company in China. We are China's second-largest snack food producer in terms of retail sales value in 2014. Our leading positions in all of our six Core Product Categories are as follows:

- **“Daliyuan” (“達利園”) (Bread, Cakes and Pastries).** Introduced in 2002, Daliyuan was the No. 1 brand in China in terms of retail sales value within the bread, cakes and pastries category in 2014, according to Frost & Sullivan. In this category, we have introduced a variety of new products such as pies, soft French bread, cakes, Swiss roll and croissants under the Daliyuan brand, all of which have maintained leading market positions, according to Frost & Sullivan.
- **“Copico” (“可比克”) (Chips, Fries and Others).** Introduced in 2003, Copico emerged as China's third-largest potato snacks brand and the largest domestic brand in this category in terms of retail sales value in 2014, according to Frost & Sullivan. In addition, with the launch of Kaqu French fries and other products with new flavors and packaging, we have further enhanced our position in this market.
- **“Haochidian” (“好吃點”) (Biscuits).** Introduced in 2004, Haochidian became China's No. 2 biscuit brand overall and the No. 1 domestic biscuit brand in 2014, according to Frost & Sullivan. We have launched 10 product series under this brand, including high-fiber and crispy biscuits. We have continuously introduced new biscuit products and sub-brands to enhance our market position, such as Landy Castle Danish butter cookies in 2014.
- **“Heqizheng” (“和其正”) (Herbal Tea).** Introduced in 2007, Heqizheng was China's No. 3 ready-to-drink herbal tea brand in 2014, according to Frost & Sullivan. We were the pioneer for PET-bottled herbal tea and remain the dominate market leader, with the retail sales value of our PET-bottled herbal tea products exceeding the aggregate of our two biggest competitors in 2014, according to Frost & Sullivan.
- **“Daliyuan Peanut Milk” (“達利園花生牛奶”) (Plant-based Dairy Beverage).** Introduced in 2010, our plant-based dairy beverage has become increasingly popular, and we were China's second-largest plant-based dairy beverage producer in terms of retail sales value in 2014, according to Frost & Sullivan.
- **“Hi-Tiger” (“樂虎”) (Energy Drink).** Since its launch in April 2013, our Hi-Tiger brand has rapidly become the domestic energy drink brand with the highest brand recognition, and ranked No. 3 in China's energy drink market by retail sales value in 2014, according to Frost & Sullivan.

With our diversified, multi-brand product portfolio, we have a unique competitive advantage. Our leading position and scale in each of our six Core Product Categories provide us with economies of scale in our procurement, manufacturing, sales and marketing, logistics and advertising. Our market positions and scale also help us to continuously strengthen our relationships with distributors and key accounts and enhance our bargaining power. At the same time, our market positions and scale enable us to promote new premium products across China to increase our profit margins and further enhance customer loyalty. Our successful multi-brand strategy has helped us to satisfy the demands and preferences of different consumer groups.

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In addition, our multiple product categories and brands have reinforced our resilience and stability of our business model. Our high-growth diversified product categories have minimized our overall operating risks, and our diversified raw material cost-base has minimized our exposure to the price fluctuation of any single raw material. This business model differentiates us from many other domestic food and beverage manufacturers in China, who rely heavily on relatively narrow product categories. Our strong brand recognition and market position will enable us to capture industry consolidation opportunities in the fast-growing snack food and non-alcoholic beverage markets.

2. Strong Product Innovation, Development and Commercialization Capability with Exceptional Track Record

Identifying and satisfying unmet consumer demands by creating differentiated products is one of our core competencies. Throughout our history, we have an exceptional record in entering new product categories, product innovations, and enhancements within existing popular product categories. Our experienced, market-oriented research and development teams identify evolving consumer tastes and preferences as well as industry trends. Supported by our marketing and branding capabilities and nationwide manufacturing and distribution network, we can roll out new products and reach points-of-sale rapidly and efficiently. We have also adopted differentiated pricing and product packaging strategies to cater to our targeted consumer groups. Utilizing these advantages, we have quickly become one of China's leading producers in all six of our Core Product Categories. Among the products that we sold in 2012, 2013 and 2014, 27 of them were New Products, of which 18 were food products and nine were beverage products. In each of 2012, 2013 and 2014, our sales of these New Products contributed 54.6%, 25.6% and 33.5% of our total revenue, respectively. Moreover, the retail sales value of 10 of our products, including Daliyuan soft French bread, Daliyuan cakes, Daliyuan custard pies, Daliyuan chocolate pies, Daliyuan Swiss rolls, Copico potato chips, Haochidian biscuits, Heqizheng herbal tea, Daliyuan peanut milk and Hi-Tiger energy drink, each exceeded RMB1 billion in the year ended December 31, 2014, according to Frost & Sullivan.

The following table sets forth examples of our successful food and beverage products launches:

Product	Year of Launch	Year in which retail sales value exceeded
		RMB1 billion (December 31) ⁽¹⁾
Daliyuan Cake	2010	2014
Daliyuan Soft French Bread	2010	2011
Daliyuan Peanut Milk in PET bottle	2010	2012
Daliyuan Peanut Milk in aseptic pack	2012	2014
Hi-Tiger Energy Drink	2013	2014

Note:

(1) According to Frost & Sullivan.

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Examples of our recent successful introductions of new products that were based on one of our existing products include:

- **Daliyuan Soft French Bread.** Leveraging our in-depth market research and product development capabilities, we created Daliyuan soft French bread based on our own formulation. This product is an upgraded version of our existing mini French bread products with softer texture. This successful product launch reinforces our No. 1 position within the broader small bread category, according to Frost & Sullivan, and the market pioneer image of the soft bread category, strengthening our Daliyuan brand equity.
- **Kaqu French Fries.** Utilizing our strong market position and extensive sales and distribution network, we launched Kaqu French fries in 2014. This product is an extension of our Copico brand following our successful launch of Copico potato chips. Our launch of Kaqu French fries boosted sales of our chips, fries and others products. The successful launch of Kaqu French fries further enhanced our market share, solidifying our position as the largest domestic brand in China's potato snacks market, according to Frost & Sullivan.

Examples of our recent successful introductions of new products that marked our expansion into new product categories include:

- **Heqizheng Herbal Tea.** Heqizheng herbal tea was our key product for our entry into China's beverage market. It was the third-largest brand in the ready-to-drink herbal tea market by retail sales value in 2014, according to Frost & Sullivan. We pioneered the introduction of 600ml PET-bottled herbal tea, and offers better value-for-money compared to the market-standard 310ml canned herbal tea. In 2014, we also pioneered the first 480ml canned herbal tea offered at an attractive price as compared to peer products, and we have achieved rapid sales growth for this product by targeting the catering and specialty channels.
- **Hi-Tiger Energy Drink.** In 2013, we launched our Hi-Tiger energy drink to capitalize on favorable market-growth prospects. We have distinguished our products from other market-leaders by launching a PET-bottled energy drink, which focuses on consumer convenience and provides us with a unique edge in pricing. In terms of distribution channels, we have focused on the traditional trade channel and increasingly on the modern retail channel. Our Hi-Tiger brand has rapidly grown to be China's third-largest energy drink brand by retail sales value in 2014, and it is also the domestic energy drink brand with the highest brand recognition in China, according to Frost & Sullivan.

3. Extensive Nationwide Sales and Distribution Network with Formidable Penetration Advantage in Traditional Trade Channel and Tremendous Development Prospects in Other Channels

We have built an extensive nationwide sales and distribution network through our distributors and key accounts. This network penetrates to a wide range of points-of-sale, enabling us to sell products at all levels of the market, from provinces to counties, villages and towns throughout China. As of June 30, 2015, we had 3,951 distributors with a sales network covering all provinces, cities and

most of the county-level divisions in China. We believe that our established nationwide sales network of distributors would be difficult to replicate. It gives us formidable presence in the traditional trade channel, which constituted the majority of China's packaged snack food and non-alcoholic beverage market in 2014, according to Frost & Sullivan, and it differentiates us from both our multinational and domestic competitors. We cooperate directly with municipal- and county-level distributors to maintain our strong bargaining power and control over our sales network. We have established a stable and highly loyal distributor base using a sophisticated distributor management system and have had commercial relationships with most of our key food and beverage distributors for more than five years. As of June 30, 2015, we had over 10,100 dedicated sales personnel, who cooperate closely with our distributors and key accounts to jointly formulate and implement sales plans and help develop and maintain our relationship with sub-distributors and retailers. We have a strong, loyal and experienced sales management team, with our key group-level and subsidiary-level sales managers having an average of 10 years of sales experience with us. Our sales teams and distributors also actively collect market intelligence across various market segments to enhance our understanding of and ability to respond to consumer demand. Our extensive distribution network is instrumental to our strong product innovation, development and commercialization capability, as it enables our new products to reach most of our points-of-sale across China within one month of launch.

We have established extensive coverage in China's modern retail channel, primarily through our extensive distributor base. To further enhance our brand image and control of our distribution network as well as provide support to distributors in penetrating beyond the traditional trade channel, we have continuously increased the number of our sales representatives covering these channels. We have also started conducting more direct on-site marketing activities. In addition to our sales through distributors, we established our key account team in 2012 to form direct collaborative relationships with our key accounts, most of whom are leading food retailers in China. Working with our key accounts allows us to obtain more first-hand feedback from retailers and customers about our products and to adjust our product and marketing strategies accordingly. According to Frost & Sullivan, distribution channels other than the traditional trade channel represented 49.9% of the total market size of snack food and non-alcoholic beverage industry in 2014, and are expected to grow at a CAGR of 14.0% from 2014 to 2019 to reach retail sales value of RMB1,257.9 billion in 2019. By working closely with our distributors and our key accounts, we intend to continue to further increase the proportion of our revenue generated outside the traditional trade channel and promote our products to a wider customer base.

4. Strategically Located Nationwide Production Facilities with Standardized Production and Management Systems

We have 16 strategically located production bases with 32 food- and beverage-related production facilities throughout China, each within close proximity to our distributors, key accounts and end-markets. Some of our food and beverage production facilities are also located close to our sources for various types of raw materials. These strategic locations help us to reduce our time-to-market and maintain low logistics expenses as a percentage of revenue, which was, for example, 2.2% in the year ended December 31, 2014. This was lower than most of our peers in the industry, according to Frost & Sullivan. These strategically located production facilities also enable us to obtain customer feedback and information about local raw materials more quickly and easily, which assists us in improving our products and controlling our costs.

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We produce all of our products in-house, using standardized production and management systems that we have implemented group-wide. All of our production facilities use standardized production and management systems established by our headquarters on functions such as raw materials procurement, product formulation, processing, and quality control. These systems enable us to ensure that all of our production processes adhere to our consistent quality and efficiency standards. We operate over 550 highly automated and technologically advanced production lines. Our continuous production process enhancement and increasing automation will enable us to enhance our manufacturing efficiency. We work closely with domestic and foreign equipment manufacturers to develop and implement tailor-made production lines. We can promptly adjust our production volumes to changes in market demand and raw material cost and leverage our cost advantages to offer products with better value-for-money propositions compared to our competitors. During the Track Record Period, we incurred a total of RMB3,206.1 million in capital expenditures, most of which was for expanding and upgrading our production network, allowing us to strategically increase our food production capacity to approximately 689,000 tons and our beverage production capacity to approximately 3,207,000 tons as of December 31, 2014. Having taken these steps, we are now well positioned to capture opportunities arising from the market growth and increasing demand for our products.

We employ stringent quality control practices to ensure adherence to high food safety standards. We had over 1,200 quality control personnel as of June 30, 2015. We carefully select our raw material suppliers based on stringent selection criteria. We have 18 testing centers operated in compliance with Chinese national laboratory standards, using advanced testing equipment to conduct sample testing on our raw materials and finished products and track our after-sales service through our extensive sales and distribution network.

5. Effective Branding and Targeted Marketing Strategies to Achieve High Brand Recognition

Over the past 25 years, we have built our five core brands—Daliyuan, Copico, Haochidian, Heqizheng and Hi-Tiger—into well-known household food and beverage brands in China. Our core brands are widely recognized by consumers and have achieved leading market shares. For example, our Hi-Tiger energy drink, launched in 2013, became a leading domestic energy drink brand with the highest brand recognition in China in 2014, according to Frost & Sullivan. We believe our brand recognition and the confidence consumers place in our brands have contributed to our rapid sales increase.

For each of our brands, we can accurately identify the demand of our target consumer group and formulate flexible and targeted marketing strategies that can immediately connect with consumers. When launching a brand, we first elevate brand awareness by using tagline-type advertising campaigns across multiple platforms combined with large-scale on-the-ground marketing activities, such as promotional campaigns in retail stores. After launch, we continuously collect market intelligence through our sales and distribution network to analyze consumer behavior and demand. We use this information to innovate and upgrade our products and packaging to meet consumer preferences across various distribution channels and further enhance brand loyalty. Our flagship brand, Daliyuan, fully manifests the essence of this marketing strategy. In 2002, we launched our custard pies with the catchy tagline “Daliyuan custard pies, for you and me, every family loves it” (“達利園蛋黃派，你帶我也帶，家家都喜愛”), which swiftly enhanced market recognition for our products. Over the past 13 years,

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our product portfolio under the Daliyuan brand, such as soft French bread, Swiss rolls, cakes and croissants, have been continuously optimized in response to consumer demand and feedback, resulting in the upgrading of this brand and the strengthening of our No. 1 position in the bread, cakes and pastries market, according to Frost & Sullivan.

In addition to traditional television and outdoor advertising channels, we have also utilized other advertising approaches to elevate our brand recognition among target consumer groups. For example, in promoting our Hi-Tiger energy drink, which targets young consumers, we have increased the recognition of our Hi-Tiger brand through our Chinese Basketball Association sponsorship using our “Drink Hi-Tiger, refreshing and invigorating” (“喝樂虎，提神抗疲勞”) tagline. In addition, we support our brands through publicity on various new media such as WeChat and Weibo.

6. Stable and Visionary Management Team with Strong Execution Capability

We have a proven, experienced management team committed to achieving our goals. Our management team endeavors to achieve excellence in execution in every aspect of our business. This pursuit of excellence, particularly in the areas of product innovation and promotion, operational efficiency enhancement and customer loyalty maintenance, has contributed to our outstanding performance.

The stability of our management team is evidenced by the majority of our key management having served with us for over eight years. Through 20 years of consistent effort, we have nurtured a strong culture of entrepreneurship, which encourages our management at all levels to strive for a shared vision of corporate development. We consistently implement uniform standards across all of our subsidiaries to maximize operating efficiency.

Under the visionary leadership of our founder, Mr. Xu Shihui, our senior management team has consistently driven product innovation and formulated effective brand-building strategy to continuously enhance our brand value. We have designed and implemented appropriate organizational structures during different stages of our corporate development to support the efficient and continual expansion of our manufacturing capabilities and our sales and distribution network. Our management team has successfully transformed our Company from a regional, single-brand biscuit manufacturer into a leading Chinese snack food and beverage company with a diversified multi-brand product portfolio with sales of RMB14.9 billion in the year ended December 31, 2014, which stands as proof of the effectiveness of our leadership.

OUR COMPETITIVE STRATEGIES

We will continue to build on our competitive strengths to solidify our leading position in China’s snack food and non-alcoholic beverage market, and further expand our business to better serve constantly evolving consumer demand. We believe our relentless pursuit of excellence will help us to grow our market share in China and expand our business into selected overseas markets and create value for our shareholders. To achieve this goal, we intend to implement the following strategies.

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1. Accelerate Growth of Core Brands and Products and Continue to Focus on New Products Launches

We will continue to leverage our branding strengths and leadership positions to continuously increase the market shares of our existing product categories. Our six Core Product Categories have strong growth potential. We will continue to increase the penetration of our recently launched products, including Hi-Tiger energy drinks, large-can Heqizheng herbal tea, Landy Castle Danish butter cookies, Daliyuan croissants and Kaqu French fries to increase our market share. We will continue to leverage our strong brands, optimize and enrich our product portfolio to upgrade our product offerings, and better serve Chinese consumers' increasing demand for healthier, tastier and higher quality food and beverage products. Our deep and extensive nationwide sales and distribution network and our strong execution capabilities support us in driving sales growth across our existing product categories.

We will leverage our extensive experience to solidify our industry-leading positions, by creating new products, entering new product categories and building new brands to capitalize on emerging trends. We will continue to conduct comprehensive research on consumer tastes and preferences, both in China and overseas, to anticipate changes in consumption trends. We will increase our research and development efforts on the product attributes that are most valued by our consumers, including taste, nutrition, food-safety and convenience. For example, in 2015, we have launched pork floss pies, nuts pies, caramel cookies and children's biscuits to tap into the fast-growing snack food market. We are also exploring sports drink products to expand our beverage product portfolio.

2. Continue to Enhance Our Presence in the Modern Retail Channel, Further Consolidate Our Traditional Trade Channel and Increase Our Sales Through Other Distribution Channels

We place substantial focus on penetrating China's modern retail channel as we believe our diversified and differentiated products are well positioned to capitalize on strong consumer demand within this channel. Expansion in this channel also supports our strategy to promote more higher-end products like Danish butter cookies and croissants to the mass market and further enhance our brand equity. We will further expand our modern retail channel sales team, improve the promotional and sales support to our products in the modern retail channel and increase our market share in this channel.

We will further consolidate our distribution strength in China's traditional trade channel, which will remain as the primary distribution channel for snack food and non-alcoholic beverages, according to Frost & Sullivan. We will continue to enhance our relationships with distributors by providing comprehensive support and by offering distributors more new differentiated products to equip them in penetrating this market. We will also strengthen our management and supervision of our distribution network by implementing a more comprehensive information technology system to enhance information sharing and increase our responsiveness to changes in consumer demand.

In addition, to complement our strength in traditional trade channel, we plan to increase our sales through other distribution channels, including the catering, specialty and e-commerce channels. We plan to offer differentiated products and/or products in different packaging formats for different sales channels and regions to manage potential cross-channel competition issues. For the catering and

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specialty channels, we believe that our beverage products, including large-can Heqizheng herbal tea, Hi-Tiger energy drink and Daliyuan peanut milk, are very suitable for these channels. We plan to enter into direct cooperation agreements with operators in these channels to promote our products. We will further develop the e-commerce channel through our operation of flagship stores and our cooperation with major e-commerce websites and our online distributors.

3. Expand and Upgrade Our Manufacturing Network and Continue to Lower Costs and Enhance Efficiency

We plan to further strengthen our leading position in China's snack food and non-alcoholic beverage industry by expanding our manufacturing network and upgrading our existing production facilities. We will commence construction of our new food and beverage production base in Shenyang, Liaoning province. We also plan to construct new production facilities to capitalize on increasing demand for our products. These expansions will enable us to more effectively distribute our products to markets around these regions, optimize our logistics expenses and gather more local market intelligence to promptly react to changes in local demand. We also plan to introduce additional automated production lines and further upgrade our production technology at existing facilities. These expansions and upgrades will allow us to consistently deliver more high quality products and reduce our manufacturing costs by optimizing our usage of labor, raw materials and packaging materials.

We will continue to standardize our operations across our segments to lower costs, increase efficiency and ensure strict quality control. We intend to leverage our scale advantages to pursue more centralized sourcing for key raw materials and packaging materials to optimize our overall procurement costs. We will continue to closely monitor changes in raw material prices, and communicate and negotiate with suppliers to reduce the impact of raw material price volatility on our profit margins. We will also improve our information technology systems and increase our operational efficiency in procurement, production planning, inventory management, sales, logistics and administrative management, to effectively control our costs and enhance our profitability.

4. Seek Appropriate Strategic Acquisition and Business Cooperation Opportunities and Enter International Markets

We will selectively pursue potential opportunities for acquisitions and business cooperation that will help us to solidify our leading position in the overall food and beverage industry and further drive our growth. These opportunities could include entering new product categories, enhancing our production technology, increasing our research and development capabilities and expanding our sales and distribution network. Furthermore, our strong management capabilities and proven track record provide assurance for our successful completion and integration of acquisition and cooperation opportunities.

While continuously reinforcing our market-leading position in China, we plan to further explore selected overseas markets, such as Southeast Asia and other countries with concentrations of Chinese consumers, to expand our sales in these countries and enhance our brand recognition overseas.

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OUR BRANDS AND PRODUCTS

We operate our business through two main segments: food products and beverage products. We have a diversified multi-brand product portfolio and offer products in seven food and beverage categories: bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based and milk beverages; energy drinks; and other beverage products. We market our products under five core brands: Daliyuan, Copico, Haochidian, Heqizheng and Hi-Tiger. For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, sales of our food products accounted for 58.4%, 57.8%, 57.0% and 54.5% of our total revenue for these respective periods, while sales of our beverage products accounted for 41.6%, 42.2%, 43.0% and 45.5% of our total revenue for these same respective periods. Our diversified brand and product portfolios provide us with multiple growth drivers across various attractive product categories, as demonstrated by our sales growth CAGR of 17.4% from 2012 to 2014.

We seek to differentiate from our competitors by continuously introducing new products. Pursuing this strategy, we introduced 27 New Products that we sold in 2012, 2013 and 2014, of which 18 were food products and nine were beverage products. For each of the three years ended December 31, 2012, 2013 and 2014, our sales of New Products contributed 54.6%, 25.6% and 33.5% of our total revenue, respectively. We frequently introduce additional flavors of our existing products and launch upgraded products to better cater to our consumer preferences and improve our product quality. We typically launch three to five new products per year. We leverage our research and development and marketing capabilities to promote sales of our new products, and they add new growth drivers to our business. In 2015, we have introduced pork floss pies, nuts pies, caramel cookies, children's biscuits and a new bottled water product. As of the Latest Practicable Date, we had 16 food products and six beverage products in our research and development pipeline.

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The following table sets forth our revenue by segment and product category for the periods indicated:

Product Category	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB	% of	RMB	% of	RMB	% of	RMB	% of	RMB	% of
	(million)	total revenue	(million)	total revenue	(million)	total revenue	(million)	total revenue (unaudited)	(million)	total revenue
Food										
Bread, Cakes and Pastries	4,216	39.0	5,000	39.0	5,726	38.4	2,748	37.2	3,003	35.3
Chips, Fries and Others	1,115	10.3	1,267	9.9	1,512	10.2	674	9.1	931	11.0
Biscuits.....	988	9.1	1,148	8.9	1,257	8.4	559	7.6	700	8.2
Segment Total	6,319	58.4	7,415	57.8	8,495	57.0	3,981	53.9	4,634	54.5
Beverage										
Herbal Tea	2,046	18.9	2,119	16.5	2,372	15.9	1,349	18.3	1,448	17.0
Plant-based and Milk Beverages.....	1,240	11.5	1,691	13.2	1,816	12.2	857	11.6	1,032	12.1
Energy Drink	—	—	394	3.1	794	5.3	490	6.6	637	7.5
Other Beverages .	1,207	11.2	1,208	9.4	1,417	9.6	711	9.6	754	8.9
Segment Total	4,493	41.6	5,412	42.2	6,399	43.0	3,407	46.1	3,871	45.5
Total.....	10,812	100.0	12,827	100.0	14,894	100.0	7,388	100.0	8,504	100.0

The following table provides a summary of our key product launch milestones:

Year	Key Product Launch
2002	• Bread, cakes and pastries under Daliyuan brand
2003	• Chips, fries and others under Copico brand
2004	• Biscuits under Haochidian brand
2007	• Ready-to-drink herbal tea under Heqizheng brand
	• Milk beverage under First Milk sub-brand
	• Mixed porridge under Daliyuan brand
	• Green plum green tea under Daliyuan brand

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Year	Key Product Launch
2008	<ul style="list-style-type: none"> Swiss rolls under Daliyuan brand PET-bottled herbal tea (600ml) under Heqizheng brand
2010	<ul style="list-style-type: none"> Peanut milk under Daliyuan brand Soft French bread and cakes under Daliyuan brand Crispy biscuits under Haochidian brand
2012	<ul style="list-style-type: none"> Aseptic pack peanut milk beverages under Daliyuan brand
2013	<ul style="list-style-type: none"> Energy drinks under Hi-Tiger brand
2014	<ul style="list-style-type: none"> Croissants under Daliyuan brand Kaqu French fries under Copico brand Danish butter cookies under Landy Castle sub-brand Large-can herbal tea (480ml) under Heqizheng brand

The following table provides selected information about our principal brands and products as of June 30, 2015:

Product Category	Key Products	Brands and Sub-Brands	No. of product types ⁽¹⁾	Unit retail price range (RMB)	Typical shelf life (months)
Food					
Bread, Cakes and Pastries.....	Including pies, soft French bread, Swiss rolls, croissants, cakes, sachima	Daliyuan	13	2.0-50.0	6
Chips, Fries and Others	Including potato chips, French fries, potato rings, potato bubbles	Copico	5	1.0-10.0	10
Biscuits.....	Including crispy biscuits, nut biscuits, high-fiber biscuits, soda biscuits, multigrain biscuits, high calcium biscuits, fruit jam sandwich biscuits, Danish butter cookies	Haochidian, Landy Castle	17	1.0-108.0	10-18

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Product Category	Key Products	Brands and Sub-Brands	No. of product types ⁽¹⁾	Unit retail price range (RMB)	Typical shelf life (months)
<i>Beverage</i>					
Herbal Tea	Ready-to-drink herbal tea	Heqizheng	4	3.5-50.0	12-24
Plant-based and Milk Beverages.....	Including peanut milk, milk beverage, rock candy peanut composite milk protein drinks	Daliyuan, First Milk	8	2.0-50.0	9-18
Energy Drink	Energy drink	Hi-Tiger	2	4.0-60.0	12-18
Others.....	Including green plum green tea, ready-to-drink tea, mixed porridge, drinking water, juices	Daliyuan	10	2.0-45.0	9-24

Note:

(1) For food products, a food product type does not include packaging or flavor changes of that food product; for beverage products, a beverage product type includes upgraded packaging or a new flavor of a beverage product.

Product Innovation

New products that we have recently successfully launched include:

Product	Innovation ⁽¹⁾	Results ⁽¹⁾
Soft French bread	<ul style="list-style-type: none"> We launched soft French bread in 2010 after identifying Chinese consumers' preference for bread with softer texture. Soft French bread is based on our own formulation, and it is an upgraded version of our existing small bread products, but caters to unmet consumer preference. Following the successful product introduction, we added two new flavors to our soft French bread, milk and orange. 	<ul style="list-style-type: none"> Since launch, this pioneering product has solidified its leading market position in small bread market in China.

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Product	Innovation ⁽¹⁾	Results ⁽¹⁾
Energy drinks	<ul style="list-style-type: none"> We launched our energy drinks under the Hi-Tiger brand in 2013. This product was launched in anticipation of strong growth prospects for energy drinks in China, driven by strong demand, especially from young people, workers with long hours such as white-collar workers and drivers, because of the product's functional value and trendy image. We differentiated our Hi-Tiger energy drinks from similar products by using upgraded packaging (such as 380ml PET-bottle), providing convenience and better value-for-money. 	<ul style="list-style-type: none"> Being the third-largest energy drink brand in China in 2014 within two years of launch. Our sales of Hi-Tiger energy drinks reached RMB793.3 million in the year ended December 31, 2014 with year-on-year sales growth of 101.4%. Highest brand awareness among domestic energy drink brands.
Croissant	<ul style="list-style-type: none"> We launched our individually packaged croissants in 2014. Prior to the roll-out of our croissants, we conducted extensive market research in China and overseas and identified the potential market for croissants in China. The expected CAGR of the croissant market from 2014 to 2019 is 25.8%. 	<ul style="list-style-type: none"> We are the largest packaged croissant brand in China by retail sales value in 2014, which exceeded RMB250 million for the year ended December 31, 2014.
Large-can herbal tea	<ul style="list-style-type: none"> We launched our large-can (480ml) herbal tea in 2014 to meet the increased catering and family consumption demand; this product provides more attractive price positioning on a per-ml basis as compared to the products of our competitors. 	<ul style="list-style-type: none"> As a pioneering producer of large, two-piece can herbal tea in China, we achieved great success in 2014, with retail sales value exceeding RMB800 million.
Kaqu French fries	<ul style="list-style-type: none"> We launched Kaqu French fries in late 2014. This product uses smaller packaging and competitive prices to appeal to the preferences of young Chinese consumers. 	<ul style="list-style-type: none"> We tapped into this fast-growing fries and others market which is expected to grow at a CAGR of 17.2% from 2014 to 2019.

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Product	Innovation ⁽¹⁾	Results ⁽¹⁾
Danish butter cookies	<ul style="list-style-type: none"> We introduced our premium Danish butter cookies under our Landy Castle sub-brand in November 2014. Leveraging our insights in consumer tastes, we made delicate modifications to the flavor of traditional Danish butter cookies to target China's cookies market, which is expected to grow at a CAGR of 16.6% from 2014 to 2019 and is the fastest growing segment within the biscuit category. 	<ul style="list-style-type: none"> The retail sales value of this product exceeded RMB150 million for the three months ended March 31, 2015.

Note:

(1) Market rankings, brand awareness, retail sales value and expected market growth data from Frost & Sullivan.

We aim to further expand our food and beverage product offerings to enrich our portfolio. For example, in 2015, we have introduced pork floss pies, nuts pies, caramel cookies, children's biscuits and a new bottled water product.

Food Products

Bread, Cakes and Pastries

We were China's largest manufacturer of bread, cakes and pastries products in terms of retail sales value, with a 21.9% market share in 2014, according to Frost & Sullivan. We were also China's largest manufacturer across the pies, small bread, Swiss rolls, cakes and packaged croissants markets by retail sales value in 2014, according to Frost & Sullivan. We market our bread, cakes and pastries products under our Daliyuan brand, targeting family consumers, and we strive to be Chinese consumers' top choice for breakfast and casual snacks. We offer a wide range of products including custard pies, chocolate pies, soft French bread, mini French bread, Swiss rolls, cakes, croissants, sachima, Chinese pies and others.

We first entered the bread, cakes and pastries market in 2002 and were one of the pioneers in launching branded pie products in China. Building on our growing brand recognition and leveraging our manufacturing expertise, we introduced additional quality westernized baked goods adapted to local consumers' tastes, including mini French bread, Swiss rolls and cakes in 2006, 2008 and 2010, respectively. We maintained our leadership position in China's bread, cakes and pastries market through continuous product innovation. In 2010, we launched our self-developed soft French bread products, which are an upgraded version of our mini-French bread product with softer texture. These successful new product launches helped strengthen our brand equity and facilitated our efforts to introduce more higher-end products catering to consumer preferences. In 2014, we introduced packaged croissants products to the mass market.

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Bread, cakes and pastries have consistently been our largest product category, contributing 39.0%, 39.0%, 38.4% and 35.3% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Chips, Fries and Others

We were the third-largest manufacturer in China's potato snacks market in terms of retail sales value with a 15.1% market share in 2014, according to Frost & Sullivan. We offer a diverse range of products in this category, including potato chips, French fries, potato bubbles and potato rings.

We launched our chips, fries and others product category in 2003 under our Copico brand, and we have sought to establish a trendy product image targeting young consumers in China's mass market. We have continuously improved our chips, fries and others product offerings by introducing new flavors, such as spicy, kimchi, barbecue, beefsteak, mustard and tomato. We have also introduced new types of products, such as French fries that use smaller packaging and competitive prices, to appeal to the preferences of young Chinese consumers. We launched Kaqu French fries in 2014 to target the fast-growing fries and others market, which is expected to grow at a CAGR of 17.2% from 2014 to 2019, according to Frost & Sullivan. Our Copico brand was awarded "China Famous Trademark" ("中國馳名商標") by the State Administration for Industry & Commerce (國家工商行政管理總局) in 2011.

Our chips, fries and others product category contributed 10.3%, 9.9%, 10.2% and 11.0% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Biscuits

We were China's second-largest biscuit manufacturer and largest plain biscuit manufacturer in terms of retail sales value in 2014, according to Frost & Sullivan. We currently offer 14 types of biscuit products, including crispy biscuits, high-fiber biscuits, nut biscuits, multigrain biscuits, soda biscuits, fruit jam sandwich biscuits, egg rolls and chocolate bars under our Haochidian brand, and Danish butter cookies under our Landy Castle sub-brand.

Our Group was established and first entered the biscuit market in 1989, and we launched our Haochidian biscuit brand in 2004. Our high-fiber biscuit products were awarded "Nutritious and Healthy Product" designation ("營養健康工程產品") by the Chinese Nutrition Society (中國營養學會) in 2004. Over the years, we have continuously launched new flavors and new biscuit products in a range of packages to capture higher market share. In 2014, we launched our high-end Danish butter cookies to tap into this fast-growing cookies segment, which is expected to grow at a CAGR of 16.6% from 2014 to 2019, according to Frost & Sullivan. In 2015, we further launched caramel cookies and children's biscuits to branch into the biscuit snacks market, which had a total market size of RMB11.2 billion in 2014, and is expected to grow at a CAGR of 13.6% from 2014 to 2019, according to Frost & Sullivan.

Our biscuit products contributed 9.1%, 8.9%, 8.4% and 8.2% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

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Beverage Products

Utilizing our strong market leadership and well-established distribution network for our food products, we entered China's non-alcoholic beverage market in 2007 and have positioned ourselves as a fast-growing and diversified food and beverage producer. We currently offer a wide range of beverage products in various packaging sizes, including PET bottles (350ml, 380ml, 500ml, 550ml, 600ml and 1.5L), cans (240ml, 250ml, 310ml, 360ml and 480ml) and aseptic pack (250ml). In 2007, we launched our ready-to-drink herbal tea under Heqizheng brand, milk beverage under First Milk sub-brand and other ready-to-drink tea products under Daliyuan brand. We expanded to plant-based beverage products by launching peanut milk under Daliyuan brand in 2010. In 2013, we launched our energy drinks under the Hi-Tiger brand to capitalize on the robust growth prospects for China's energy drinks market and became the third-largest producer in this market in 2014, according to Frost & Sullivan.

Herbal Tea

We were China's third-largest ready-to-drink herbal tea manufacturer and the largest PET-bottled herbal tea manufacturer in terms of retail sales value in 2014, according to Frost & Sullivan. We produce and market herbal tea products under the Heqizheng brand in various packaging sizes. Our strong brand and product portfolio well-position us to capitalize on the strong industry growth prospects for this market, which is expected to increase from RMB50.9 billion in 2014 to RMB104.3 billion in 2019, with a CAGR of 15.4%, according to Frost & Sullivan.

In 2007, we launched our Heqizheng herbal tea products using the marketing tagline "Heqizheng herbal tea-clearing heat, raising vitality" ("和其正涼茶，清火氣，養元氣") to highlight the products' nutritional value. In 2008, we pioneered the introduction of PET-bottled herbal tea (1.5L, 600ml), which is more portable and offers greater value-for-money to consumers compared to 310ml canned herbal tea products. In 2014, we launched our large-can herbal tea (480ml) products to meet the demands for catering and family consumption. These products provide more attractive price positioning on a per-ml basis as compared to the products of our competitors. Our production technology allows us to control our manufacturing costs and offer consumers large-can herbal tea at competitive prices. Our marketing tagline of "Heqizheng, more fun with large-can" ("和其正，大罐更盡興") also successfully conveys this value proposition to our consumers. We aim to further expand distribution of our PET-bottled herbal tea in the traditional and modern retail channels and large-can herbal tea through the catering channel.

Sales of our herbal tea products contributed 18.9%, 16.5%, 15.9% and 17.0% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Plant-based and Milk Beverages

We target the plant-based and milk beverage market by offering peanut milk products under the Daliyuan brand, including original flavored peanut milk and walnut-flavored peanut milk; and milk beverage under the First Milk sub-brand such as original-flavored milk beverage and honeydew-flavored milk beverage.

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We launched our milk beverage products in 2007. We entered the plant-based beverage market with the launch of PET-bottled peanut milk products in 2010. We subsequently introduced this product in aseptic pack in 2012. Our strong distribution network has enabled us to capture the enormous growth opportunity in China's plant-based beverage market, which was galvanized by consumers' increasing health awareness. Revenue from our peanut milk products grew by a CAGR of 31.5% from RMB874 million in 2012 to RMB1,512 million in 2014, and this made us China's second-largest plant-based dairy beverage manufacturer by retail sales value in 2014, according to Frost & Sullivan.

Sales of our plant-based and milk beverage products contributed 11.5%, 13.2%, 12.2% and 12.1% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. Within this product category, sales of our peanut milk products contributed 7.2%, 9.4%, 9.6% and 10.0% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively.

Energy Drinks

In 2013, we introduced our energy drink products under the Hi-Tiger brand, driven by strong demand, especially from young consumers, workers with long hours, such as white-collar workers, and drivers. We have built strong brand recognition for our Hi-Tiger products through nationwide marketing using the tagline "Drink Hi-Tiger, refreshing and invigorating" (喝樂虎，提神抗疲勞) and our sponsorship arrangement with the Chinese Basketball Association. To differentiate our products from those of the existing market-leader, we launched PET-bottled energy drink products with a focus on convenience. We currently offer our energy drink products in 380ml PET bottles and 250ml cans.

We focus on penetrating the traditional trade and modern retail channels, where we can take advantage of our rapid product-replenishment capabilities and benefit from our innovative PET bottle design that appeals to consumers who value convenience. We also benefit from our 250ml can, which has a pricing advantage over the market leader, to target the modern retail and specialty channels, including gas stations. Following this strategy, our sales reached RMB793.3 million in the year ended December 31, 2014, with 101.4% of year-on-year sales growth.

Our Hi-Tiger energy drinks have completed the CFDA's certification process and obtained the "Certificate of Health Food" (保健食品批准證書), which permits us to use the "Health Food" mark (保健食品標誌) on our Hi-Tiger energy drink products. The facilities of our Food and Beverage Subsidiaries have also attained the "Production License for Health Foods" (保健食品生產許可證) from the local branches of CFDA for the production of our energy drink products.

Our energy drink products contributed 3.1%, 5.3% and 7.5% of our total revenue for the years ended December 31, 2013 and 2014 and the six months ended June 30, 2015, respectively.

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Other Beverages

As part of our beverage product portfolio, we also offer the following beverage products:

- *Mixed Porridge*: including low-sugar longan mixed porridge, red jujube and longan mixed porridge, longan and lotus seed mixed porridge, silver ear fungus and lotus seed mixed porridge, black glutinous rice congee with purple sweet potato, corn congee with lotus seeds and red bean congee with coix seeds;
- *Ready-to-drink tea*: including green plum green tea, honey green tea and ice tea;
- *Bottled Water*: including purified water; and
- *Juices*: including orange juice.

Our other beverage products contributed 11.2%, 9.4%, 9.6% and 8.9% of our total revenue for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, respectively. We are committed to offering an innovative product profile to meet the evolving demands of our consumers, expand our product portfolio and strengthen our market position.

OUR GEOGRAPHICAL COVERAGE

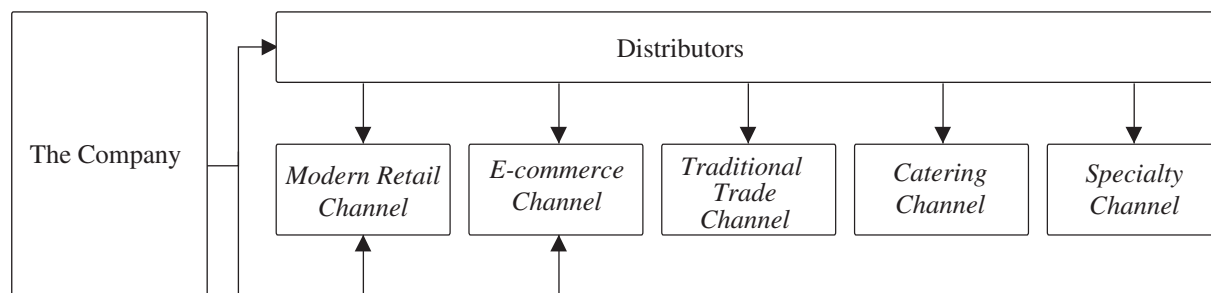
The map below shows the geographic distribution of our food and beverage production facilities, and our sales and distribution network as of June 30, 2015:



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SALES AND DISTRIBUTION NETWORK

We have an extensive nationwide sales and distribution network that deeply penetrates the Chinese market from urban downtown areas of the largest cities to counties, townships and villages across all of China's provinces. Our snack food and non-alcoholic beverage products are typically sold to distributors, key accounts and e-commerce consumers in four sales channels: traditional trade channel, modern retail channel, specialty channel and e-commerce channel. In addition, our beverage products are sold through the catering channel, which includes restaurants, hotels, bars and pubs. We use distributors to market our products through the traditional trade channel, modern retail channel, specialty channel, catering channel and e-commerce channel, and we also sell our products directly to our key accounts that operate in the modern retail channel, and through e-commerce websites to consumers. Our network has particular strength in the traditional trade channel, which constituted the majority of the retail sales value of China's packaged snack food and non-alcoholic beverage market in 2014, according to Frost & Sullivan. We increasingly focus on penetrating the modern retail, catering, specialty and e-commerce channels. The chart below illustrates the structure of our channel strategy:



We manage our sales and distribution network from our headquarters in Hui'an, Fujian province by supervising the operations of our subsidiaries, which are strategically located across China. Our dedicated sales team at our headquarters is responsible for strategic matters such as establishing sales plans, developing strategies for the introduction of new products, expansion of our distribution network, approval of new distributors and termination of existing distributors, management of key accounts and channels, and overseeing sales teams and our subsidiaries. The sales teams in our 17 Food and Beverage Subsidiaries are responsible for day-to-day operations including distributors and key accounts management, marketing support, inventory management and information collection. As of June 30, 2015, we had 17 Food and Beverage Subsidiaries to support our distribution network, staffed with a team of over 10,100 dedicated sales personnel. In addition to our own sales personnel, our 3,951 distributors engage their own sales representatives to monitor the sub-distributors, retailers and points-of-sale selling our products. Our sales team consists of our executive vice-president, sales directors, general managers, head of key accounts division, sales managers, city managers, sales-in-charge and sales representatives.

Our executive vice-president, sales directors, general managers and head of key accounts division are primarily responsible for the formulation of our overall sales and distribution strategy at the headquarters and subsidiary levels, as well as for the management of our sales activities. The rest of our sales team is primarily responsible for daily communications with distributors, visiting points-of-sale, and collecting first-hand market information such as customer inventory levels.

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Our sales-in-charge and sales representatives work closely with our distributors and provide sales assistance to help them promote our products. We plan to divide our sales team that supports our distributors into a traditional trade channel team and a modern/catering/specialty channels team. This segmentation will allow us to formulate and implement more tailor-made strategies to penetrate specific channels and enhance our overall brand image. This will align with our product strategy, and allow us to target a wide customer base. In addition, our sales representatives will continue to help conduct sales and marketing activities at the points-of-sale to further penetrate the modern retail channel.

Our Customers

Consistent with market practice in our industry, our customers are primarily distributors and key accounts, who distribute our products throughout China. We also sell our products directly to consumers through the e-commerce channel. Approximately 97.3% of our products were sold through our distributors in 2014 while we sold the remainder directly to key accounts and through the e-commerce channel.

The table below sets forth the breakdown of our sales by customer type for the periods indicated:

Customer type	For the year ended December 31,						CAGR	For the six months ended June 30,			
	2012		2013		2014		2012-2014	2014		2015	
	RMB	% of total	RMB	% of total	RMB	% of total		RMB	% of total	RMB	% of total
	(million)	revenue	(million)	revenue	(million)	revenue	%	(million)	revenue	(million)	revenue
			</								

Note:

- (1) Primarily includes operators of hypermarkets, supermarkets and convenience stores that we sell our products directly to.
- (2) Primarily includes e-commerce. This also includes our revenue from exports of our products beginning in the second quarter of 2015.

For the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our sales to our five largest customers accounted for 2.0%, 2.1%, 2.5% and 2.4% of our total revenue, respectively, and our sales to our largest customer accounted for 0.5%, 0.5%, 0.7% and 0.6% of our total revenue, respectively. All of our five largest customers during the Track Record Period were independent third parties. None of our Directors, their respective associates or Shareholders who own five per cent or more of the total issued Shares had an interest in any of our five largest customers during the Track Record Period.

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Our centralized sales and distribution management process allows us to effectively monitor our sales channels from our headquarters. We enter into standardized distribution agreements with our distributors and implement standardized procedures for the collection and handling of customer and consumer feedback. We believe our well-established and effectively managed distribution network, as well as strong relationships with our distributors and key accounts, will continue to support our ability to successfully market and deliver our products to consumers.

DISTRIBUTORS

We primarily sell our products through our vast network of distributors, who sell our products to sub-distributors and retailers, serving points-of-sale across China. As of June 30, 2015, we had 3,951 distributors and a sales network covering all provinces, cities and most county-level divisions. We leverage our distributors' established access to local markets across China to reach consumers in the traditional trade, modern retail, catering and specialty channels and consistently expand the breadth and depth of our market presence.

We have maintained long-term business relationships with our distributors and most of our distributors have more than five years of cooperation with us. Our development and maintenance of a stable distribution network is supported by various factors, such as (i) the exclusivity granted to each distributor by designated geographical region, which helps to avoid cannibalization among distributors, (ii) our diversified and differentiated snack food and beverage product offerings, (iii) our strong brand equity, (iv) our comprehensive support, and (v) a competitive pricing strategy.

The following table sets forth the changes in the number of our distributors as of the dates indicated:

Distributors	As of December 31,			As of June 30,
	2012	2013	2014	2015
As of the beginning of the period	3,467	3,587	3,706	3,715
Additions of new distributors	436	324	351	358
Terminations of distributors	316	205	342	122
Net increase in distributors	120	119	9	236
As of period-end	<u>3,587</u>	<u>3,706</u>	<u>3,715</u>	<u>3,951</u>

During the Track Record Period, our additions of new distributors primarily reflected (i) an increase in the number of distributors targeting specific channels or products that were the focus of our sales and marketing efforts, (ii) further penetration of the market, and (iii) our expanding sales and market shares in China. Our terminations of distributors primarily reflected subpar performance, and a consolidation trend among distributors.

Distributor Management

We select our distributors in each region based on factors including their business qualifications and marketing capabilities. These factors include reputation, breadth and quality of sales network, number of personnel, and logistics and transport capabilities. We use a standardized distribution

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agreement for all of our distributors. This helps us to efficiently manage our distributors and ensure an orderly market for our products. We also closely monitor the performance of our distributors. For example, we continuously optimize our sales strategy to adapt to changing market dynamics based on market intelligence collected by our sales representatives and then provide guidelines to our distributors accordingly. We also require our city managers and sales-in-charge to regularly communicate with our distributors and regularly inspect their sales plans and inventory levels. As part of our distributor monitoring, we require our distributors to provide us with monthly sales reports, which help us to analyze the market environment and in turn to provide better guidance to our distributors. We usually establish sales targets in our distribution agreements that are negotiated and determined with reference to various factors including past performance, market conditions and our annual sales targets. We set the prices at which we offer our products to our distributors based on factors such as our marketing strategies and the types of products they are purchasing from us. We previously offered products to our distributors at favorable prices as part of our marketing strategy. Beginning from late 2014, we adjusted our pricing and marketing strategies to conduct more marketing campaigns to strengthen our sales channels and we increased the average selling prices at which we sell our products to our distributors.

In addition to providing sales and marketing support to our distributors, our sales personnel conduct regular inspections of our distributors and points-of-sale to monitor their sales, selling prices, storage conditions, logistics facilities, staff quality, quality control and inventory levels. They also ensure that our products are distributed within the agreed geographical regions, monitor the number of distributors in a given area and keep track of potential competition among distributors. Through these activities, we ensure that our distributors are complying with the terms and conditions of their distribution agreements. If we discover non-compliance issues, we inform the relevant distributor and request the distributor to cease the non-compliant activities within a specified period of time. Our distributors are also liable for breaches of their distribution agreements, and they are required to indemnify us for relevant breaches. We can terminate our distributors if they breach material provisions stipulated in the agreements.

We also closely monitor our distributors' performance, including by requiring them to provide us with their inventory levels every month and we perform checks of inventory records using our sales personnel. If we notice that our distributors have excessive inventories or if their sales volumes drop significantly, we will inquire into the situation and may initiate marketing and promotional events when necessary. Our sales personnel also assist our distributors with their sales and marketing efforts. We believe this assistance helps us to nurture mutually beneficial and long-term relationships with our distributors. These procedures, combined with our requirement for most distributors to pay us on a payment-before-delivery or payment-on-delivery basis and our "no return or exchange unless defective" policies, help ensure that our sales to distributors reflect genuine market demand and mitigate the risk of inventory accumulation in the distribution channels.

For further details regarding our credit control and product returns and warranties, please refer to the sections headed "—Sales and Distribution Network—Distributors—Key Terms of Distribution Agreements" and "—Quality Control and Food Safety—Product Returns, Warranties, Consumer Feedback and Product Recall", respectively, in this prospectus. We are not aware of any material accumulation of stock by our distributors during the Track Record Period.

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We regularly evaluate the performance of our distributors, based primarily on the following factors:

- maintenance of creditworthiness;
- operating status and level of industry knowledge;
- quality of internal management;
- development and expansion of distribution networks;
- improvement in warehousing facilities and delivery capabilities;
- improvement in operating and business management capabilities;
- management of customer relationship; and
- improvement in overall sales performance.

We normally renew the relevant distribution agreements with the distributors who pass our performance evaluation.

Relationships with Distributors

We have a seller-buyer relationship with our distributors. We retain no ownership over the products that we sell to them, and all significant risks and rewards associated with these products are transferred to them upon delivery to and acceptance by them. Our distributors on-sell our products to both sub-distributors and to various points-of-sale, where the products are sold to consumers.

During the Track Record Period, our sales to most of our distributors were made on a payment-before-delivery or payment-upon-delivery basis, and we typically granted credit terms of not more than 30 days after the date of delivery of our products to certain of our distributors. We granted credit terms primarily to those distributors that made relatively large purchases from us and that had relatively large business scale and good credit records. Beginning from late 2014, we granted credit terms of not more than 30 days to significantly more distributors; we did this to further develop our distribution network. Our distributors generally place orders with our local subsidiaries. Our Food and Beverage Subsidiaries allocate orders to our relevant production facilities, which usually deliver the ordered goods to our distributors' designated delivery locations within one to three days using our logistics service providers. The distributors conduct inspections of the delivered products, and typically notify us of quality defects after delivery. The distributors can only return products to us if they are defective. Please see the paragraph headed “—Quality Control and Food Safety—Product Returns, Warranties, Consumer Feedback and Product Recall” in this section for further details about our product return policy.

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To the best knowledge of our Directors, all of our distributors were independent third parties, and none of our distributors was wholly-owned or majority controlled by our current or ex-employees during the Track Record Period. To the best knowledge of our Directors, our distributors are primarily engaged in the business of distributing food and beverage products in China. During the Track Record Period, we did not provide financing to any of our distributors except for credit terms we granted to certain distributors for their purchases of products from us. See “Financial Information—Liquidity and Capital Resources—Trade Receivables” for more information. During the Track Record Period, our sales to our five largest customers, all of which are distributors, accounted for less than 3.0% of our total revenue in the respective periods.

Key Terms of Distribution Agreements

We generally enter into annual distribution agreements with our distributors. These agreements specify a variety of terms including the distribution area, distribution channels, pricing policies and sales performance targets. To streamline our management and evaluation of distributors, we use a standardized distribution agreement. The key terms of our standardized distribution agreement include:

- *Duration:* One year.
- *Minimum Purchase Requirement:* None.
- *Designated Distribution Area:* Distributors and their sub-distributors are not allowed to sell or resell our products outside of their designated distribution areas. Distributors are responsible for managing their sub-distributors and retailers. Non-compliance may result in penalties, and in severe cases, cancellation of marketing support or termination of the distribution agreement.
- *Exclusivity:* Distributors are granted the exclusive distributorship in their designated area unless they breach the terms of the distribution agreement.
- *Sales Target and Incentive Scheme:* Distributors are incentivized to achieve or exceed sales targets during a term stipulated in the agreement. The specific incentive is determined by us. The incentive scheme may be canceled if a distributor fails to meet the sales target.
- *Pricing Policy:* We have the right to adjust the prices at which we sell products to our distributors and our recommended retail prices based on market conditions.
- *Resale Price Management:* Distributors are required to use their best commercial efforts to resell our products at prices that are consistent with our recommended retail price.
- *Transportation Costs:* We are responsible for the delivery costs, if we are obligated to deliver our products to a distributor’s designated delivery location.

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- *Access to Information:* Distributors are required to provide sales reports to us on a monthly basis or upon request. These sales reports include a list of key customers of the previous month, sales volumes and inventory levels. We are permitted to check inventory levels upon reasonable notice.
- *Credit Terms:* Payment before or upon delivery, unless otherwise approved by us.
- *Storage Condition:* Distributors are required to store our products in accordance with specified conditions.
- *Return or Exchange of Products:* Distributors are not allowed to return or exchange products except for defective products. We do not accept return of non-defective unsold or expired products.
- *Non-Competition Undertaking:* Distributors undertake not to sell any products similar to our products or any counterfeits of our products.
- *Confidentiality:* Distributors undertake not to disclose any of our trade secrets or business information to any third party.
- *Termination:* The distribution agreements are terminable by either party if the other party fails to perform any of its obligations under the distribution agreement and fails to rectify that breach within a prescribed time-period. Distribution agreements are also terminable by mutual agreement of both parties.

We believe that our standardized distribution agreements enable us to sufficiently incentivize the distributors to actively market and sell our products and provide us with sufficient controls over the distribution network to ensure an orderly market for our products.

Sub-Distributors

We do not have direct contractual relationships with the sub-distributors that are used by some of our distributors. Sub-distributors are typically used when one of our distributors is unable to directly cover particular counties or villages within its designated distribution area. To the best knowledge of our Directors, a majority of the sub-distributors of our distributors are primarily engaged in the business of distributing food and/or beverage products at a regional scale in China. We delegate to our distributors the authority to choose their sub-distributors and negotiate the transaction terms directly with them, and we rely on our distributors to limit their sub-distributors' activities within the distributor's designated distribution territory. We do, however, monitor the inventory information of sub-distributors and points-of-sale by conducting site visits and reviewing sales reports from our distributors. Under our standardized distribution agreement, our distributors are responsible for managing their sub-distributors including limiting them to resell our products within the designated distribution areas. They are also required to provide sales reports to us on a monthly basis or upon request that specify their key customers, including sub-distributors, their purchase volumes and inventory information. In addition, we have adopted measures to ensure that sub-distributors operate in line with our overall sales and distribution strategy. These measures include our sales

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personnel from time to time visiting sub-distributors and points-of-sale, communicating with them, and collecting feedback and information from sub-distributors. If we become aware of any non-compliance or misconduct of a sub-distributor, we will notify the relevant distributor and sub-distributor accordingly and request them to take rectification and improvement measures. In case that any sub-distributor's activity disrupts the market of our products, we are entitled to terminate the distribution agreement with the relevant distributor in accordance with the distribution agreement.

Through site visits to our distributors, sub-distributors and points-of-sale by our sales personnel and implementation of internal policies and measures described above, nothing has caused our Directors to believe that the significant increase in our revenue during the Track Record Period was due to the accumulation of inventories at the distributors and/or sub-distributors.

Key Accounts

As our business operations have grown, we have established direct partnerships with our key accounts, primarily leading national and regional hypermarket, supermarket and convenience store operators, such as Yonghui and CR Vanguard. In these relationships, we sell our products directly to the key accounts rather than through distributors. We believe that our key account relationships help us to strengthen our market position and enhance our brand image.

As of June 30, 2015, we had 34 key accounts. Our key account team of approximately 400 employees covers our key accounts. These employees collaborate directly with these leading national and regional hypermarket, supermarket and convenience store operators to develop sales plans and monitor sales performance, provide on-site support for product promotion and gather first-hand feedback to facilitate our product development and marketing. Leveraging our diversified product portfolio and brand equity as well as consumer loyalty, we intend to continue to develop and expand our sales to key accounts. During the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, we generated revenue of RMB106.7 million, RMB245.1 million, RMB387.6 million and RMB298.0 million through direct sales to our key accounts, respectively.

Our key accounts team communicates regularly with our key accounts to understand and address their needs. We consider our key accounts to be our strategic partners. We believe that our partnerships with them provide us with opportunities to further enhance these strategic relationships and leverage their extensive sales networks to effectively penetrate the modern retail channel. Furthermore, we believe our key account relationships provide us with a platform to promote and launch new products and enable us to access consumer feedback more efficiently. We believe that our diversified portfolio mix, wide and differentiated product portfolio and our brand equity help us to gain favorable terms in our negotiations with key accounts.

Our key accounts with nationwide coverage generally place orders with our headquarters and those with regional coverage with the relevant Food and Beverage Subsidiaries. Orders from key accounts are processed by our sales team, and our headquarters or the relevant subsidiary allocates orders to the relevant production facilities. Ordered goods are usually delivered to our key accounts' designated delivery locations within one to three days by our third-party logistics service providers.

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We generally enter into annual sales agreements with our key accounts and typically grant them credit terms of 30 to 90 days starting from the date of product delivery. Our key accounts can return defective products, and, unlike our distributors, they are also generally allowed to return expired or unsalable products. We do not impose minimum purchase requirements on our key accounts. We pay them fees for promoting our products, and those payments are made in respect of expenses such as product displays, advertisement printing, promotional campaigns and the engagement of temporary salespeople. We also offer our key accounts discounts for relatively large purchases and, if they meet certain sales targets, we provide rebates to them. These rebates are negotiated and determined by reference to various criteria such as past performance and market conditions. Our revenue is reported net of these rebates. Our key account sales contracts can be terminated by either party after giving the other party advanced written notice for a time-period stipulated in the sales contract, or be immediately terminated by a party under specified circumstances such as a serious breach of contract terms by the other party.

E-commerce Channel

We started operating flagship “stores” on major e-commerce websites such as Yihaodian, in April 2014. We also sell our products to major e-commerce operators and online distributors. We intend to promote more of our products online to cater to the changing consumption patterns of consumers in China. As of June 30, 2015, we had a team of 20 employees dedicated to covering the e-commerce channel.

We will adopt more innovative sales, branding and marketing strategies tailored to the e-commerce channel to develop closer connection with consumers, especially young consumers.

Export to Overseas Markets

We believe there is significant growth potential for us in the overseas markets, especially in countries that share similar consumer tastes with China and are expected to enjoy growth in per capita disposable income, urbanization, modern retailer penetration and per capita consumption of snack food and beverages. We plan to further explore selected overseas markets, such as Southeast Asia and other countries with concentrations of Chinese consumers. We started exporting our products to North America in the second quarter of 2015. We will continuously assess potential acquisition or collaboration opportunities that could further help us to branch into new product categories, enhance our manufacturing know-how, strengthen our product development capabilities and expand our distribution network.

Pricing Policy

In determining our pricing strategies, we take into account a variety of factors, such as the demand and supply of our products, anticipated market trends, costs of raw materials and packaging materials, production costs, product categories, retail prices of our competitors’ products, spending patterns of our target consumers, historical sales data, and the expected profit margins for us and our distributors and key accounts. We review and adjust our product prices periodically based on these factors and other general market conditions.

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Generally, we set recommended nationwide retail prices for our products, which are subject to minor adjustments reflecting the local competitive environment. As stipulated in our standardized distribution agreement, our distributors must use their best commercial efforts to resell our products at prices that are consistent with our recommended nationwide retail prices. Our key accounts are not contractually required to resell our products at our recommended retail prices, but they generally do so in line with the industry practice. Our sales personnel frequently inspect our distributors and their sub-distributors and our key accounts to monitor whether our products are being sold in accordance with our recommended retail prices. Please see the paragraph headed “—Our Brands and Products” in this section for details of the recommended nationwide retail price range for each category of our products.

BRANDING AND MARKETING

Since 2002, we have adopted a multi-brand strategy to target a broad range of consumer groups and product categories. We focus on developing different brands for various product categories targeting different consumer segments. Applying this strategy, we have successfully promoted Daliyuan for our bread, cakes and pastries products and our plant-based and milk beverages, Copico for our chips, fries and others products, Haochidian for our biscuit, Heqizheng for our herbal tea products and Hi-Tiger for our energy drinks. We also use the following catchy advertisement taglines to attract our consumers:

Brand	Key Advertisement Taglines
Daliyuan	Family togetherness, with Daliyuan (團團圓圓達利園)
Copico	Every happy moment, my Copico (快樂每一刻，我的可比克)
Haochidian	Haochidian, if delicious, then eat more (好吃點，好吃你就多吃點)
Heqizheng	Heqizheng, more fun with bottle packaging (和其正，瓶裝更盡興) Heqizheng, more fun with large can (和其正，大罐更盡興) Heqizheng herbal tea—clearing heat, raising vitality (和其正涼茶，清火氣，養元氣)
Hi-Tiger	Drink Hi-Tiger, refreshing and invigorating, bringing positive energy (喝樂虎，提神抗疲勞，激發正能量)

To enhance the recognition and marketability of our products, we deploy multi-dimensional marketing strategies. We promote our products and brands through different channels, including billboards, television, websites and social media as well as through our sponsorship of events such as sports games. We plan to increase our focus on new media such as WeChat and Weibo. We have long-term relationships with various television platforms, and we leverage these relationships with our advertising purchases across our broad product portfolio to negotiate favorable terms in pricing and placement of our television advertisements. In addition to marketing through nationwide satellite television platforms, we also plan to increase our use of regional media outlets within the traditional media to cater to target consumer groups in lower-tier cities. To support our new product launches and

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to quickly gain brand recognition, we selectively enter into strategic sponsorships that closely associate with our brand identity. For example, we have been working under a strategic co-operation agreement with the Chinese Basketball Association since 2013 to promote our Hi-Tiger energy drinks brand. We believe that our multi-dimensional strategy, which combines traditional media and new media with different focuses, can effectively promote our products to specific target consumer groups.

We undertake advertising and promotional campaigns to enhance the visibility and marketability of our products and to promote our brand recognition. We typically launch advertising and promotional campaigns to support new product launches. Our advertising and promotional activities primarily consist of advertising campaigns on television channels, Internet, billboards and other print media. We also conduct on-site promotions at points-of-sale, such as supermarkets and gas stations, and directly to consumers, such as teenagers at schools, and we participate in domestic and international industry trade shows. We collaborate with retailers to increase the awareness of our brands and products by installing on-site displays featuring our logos and products during Chinese festival seasons and other special occasions when on-site traffic is at its peak. These activities align with our strategy to further penetrate the modern retail channel and also allow us to exert more control over our distribution network.

Our promotion and advertising expenses for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 were RMB312.4 million, RMB395.5 million, RMB483.7 million and RMB457.5 million, respectively, representing 2.9%, 3.1%, 3.2% and 5.4% of our total revenue for these respective periods. Going forward, we plan to increase our marketing efforts on new products, such as Danish butter cookies, to drive growth. We also plan to focus on advertising and promotional efforts aimed at key accounts to further enhance our penetration in the modern retail channel.

PRODUCTION

Our Production Facilities

We manufacture all of our products in-house, which allows us to quickly respond to changes in market demand and maximizes our control over product quality and food safety. We outfit our production facilities with state-of-the-art equipment, which we believe is essential to ensuring the quality of our products and the efficiency of our operations. As of the Latest Practicable Date, we had 16 strategically located production bases. These production bases consisted of 30 food and beverage production facilities throughout China, one potato powder production facility in Gansu province and one packaging material production facility in Fujian province, equipped with an aggregate of over 550 highly automated and technologically advanced production lines. Our food and beverage production facilities are strategically located across China, within close proximity to our distributors, key accounts and end-markets. Some of our food and beverage production facilities are also situated close to the source for various types of raw materials. These arrangements help us to reduce time-to-market and maintain low logistics expenses as a percentage of sales, which was, for example 2.2% in the year ended December 31, 2014. Please see the paragraph headed “—Our Geographical Coverage” in this section for details of the geographic distribution of our production facilities as of the Latest Practicable Date.

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Our production facilities include:

- *Food Production Facilities.* Our food products are produced in 14 production facilities located across China with 380 production lines for the production of our bread, cakes and pastries; chips, fries and others; and biscuits. Our overall annual production capacity for food products was approximately 777,700 tons as of June 30, 2015;
- *Beverage Production Facilities.* Our beverage products are produced in 16 production facilities located across China with 178 PET-bottled, canned and aseptic pack products production lines for manufacturing herbal tea, plant-based and milk beverages, energy drinks and other beverages. Our overall annual production capacity for beverage products was approximately 3,424,300 tons as of June 30, 2015; and
- *Other Related Production Facilities.* We have one potato powder production facility in Gansu province, which produces a majority of the potato powder required for our production of potato-based products; and one packaging material production facility in Fujian province, which produces and supplies substantially all packaging bags and a majority of labels for our products.

As we aim to grow our business within a fast growing food and beverage market in China, we intend to achieve this by enhancing the geographic coverage of our production network to reduce the transportation time and costs and enable us to gather more local market intelligence to promptly react to changes in local demand. We intend to enhance our production network and expand our production capacity by establishing more new food and beverage production facilities, including one in Shenyang, Liaoning province. This expansion forms part of our corporate development strategy, tailored to grow our business within a fast growing food and beverage market in China. Please see the paragraph headed “—Production—Our Production Expansion Plan” in this section for further details of our production expansion plans.

The table below sets forth the number of production lines, annual production capacity, production volume and utilization rate of our production facilities for the periods indicated:

Our Products	As of or for the year ended December 31,						As of or for the six months ended June 30,					
	2012			2013			2014			2015		
	Production lines	Production capacity ⁽¹⁾ (tons)	Production volume (tons)	Utilization rate ⁽²⁾ (%)	Production lines	Production capacity ⁽¹⁾ (tons)	Production volume (tons)	Utilization rate ⁽²⁾ (%)	Production lines	Production capacity ⁽³⁾ (tons)	Production volume (tons)	Utilization rate ⁽²⁾ (%)
Food												
Bread, Cakes and Pastries	221	371,028	299,019	80.6	240	439,248	352,587	80.3	260	499,968	375,454	75.1
Chips, Fries and Others	41	49,680	36,724	73.9	41	54,720	40,842	74.6	57	57,820	46,419	80.3
Biscuits	35	98,752	73,862	74.8	35	120,192	85,423	71.1	43	132,032	90,075	68.2
Food Total	297	519,460	409,605	78.9	316	614,160	478,852	78.0	360	689,820	511,948	74.2
Beverages												
PET Bottled Products	73	2,046,000	1,177,538	57.6	78	2,288,917	1,189,352	52.0	81	2,488,200	1,187,673	47.7
Canned Products	10	233,200	184,211	79.0	11	235,583	221,767	94.1	23	497,750	312,036	62.7
Aseptic Pack Products ⁽⁴⁾	63	18,425	3,337	18.1	63	207,900	104,868	50.4	67	221,100	143,377	64.8
Beverages Total	146	2,297,625	1,365,086	59.4	152	2,732,400	1,515,987	55.5	171	3,207,050	1,643,086	51.2

Notes:

- (1) Production capacity for the three years ended December 31, 2012, 2013 and 2014 is calculated on a weighted average basis. The weighted average production capacity for a calendar year equals (i) the production capacity at the beginning of the calendar year, plus (ii) weighted new production capacity added during the same calendar year. Weighted new production capacity added during a calendar year is derived by multiplying (x) the total new production capacity added during that calendar year with (y) the numbers of months during which the new production capacity is in operation, (z) divided by 12. Our annual production capacity for food products and beverage products is calculated on a 288-day basis and a 264-day basis, respectively, in each case using 20 working hours per day.
- (2) Utilization rate is derived by dividing the production volume by the production capacity during the same period. Our annual production capacity for food products and beverage products is calculated on a 288-day basis and a 264-day basis, respectively, in each case using 20 working hours per day. The utilization rate for the six months ended June 30, 2015 is calculated on an annualized basis. The decrease in the utilization rate with respect to our food production lines for the two years ended December 31, 2013 and 2014 and the six months ended June 30, 2015 was primarily due to the expansion of our food production capacity in 2013, 2014 and the six months ended June 30, 2015 in anticipation of an increase in demand in our food products. The decrease in the utilization rate with respect to our beverage production lines for the two years ended December 31, 2013 and 2014 was primarily due to the expansion of our beverage production capacity in 2013 and 2014 in anticipation of an increase in demand in our beverage products and the introduction of our energy drink and peanut milk products. The subsequent increase in utilization rate to 57.2% for the six months ended June 30, 2015 was primarily attributable to the ramp-up of such new production capacity, and an increase in our production to satisfy an increase in demand for our energy drink and peanut milk products.

- (3) For the six months ended June 30, 2015, the production capacity is calculated on a pro-rata basis utilizing the annual production capacity for the year ended December 31, 2015 which is calculated in accordance with note (1). The weighted new production capacity added during the year is calculated based on the new production lines added during the six months ended June 30, 2015.
- (4) The relatively low utilization rate with respect to our aseptic pack beverage production line for the year ended December 31, 2012 was primarily because we established the aseptic pack beverage production line in late 2012 for the introduction of our aseptic pack peanut milk products. The subsequent increase in utilization rate to 50.4% and 64.8% for the two years ended December 31, 2013 and 2014, respectively, was primarily attributable to the ramp-up of our new production capacity and an increase in our production volume to satisfy an increase in demand for our aseptic pack peanut milk products, as originally expected when we decided to expand our production capacity.

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We have significantly improved the automation level of our production facilities in the past ten years. A large portion of our current production facilities and equipment are equipped with automated production capabilities or have been custom-made to suit our production needs. Our in-house research and development team continuously collaborates with our production equipment suppliers in designing our production lines and improving our production process with an aim of maximizing our productivity and efficiency. For example, we co-developed our soft French bread production line with our production equipment suppliers to meet the specific production requirements for this product, which helps to ensure high operational efficiency. Moreover, all of the 30 production lines designed and established for manufacturing our Hi-Tiger products have received the Production License for Health Foods. We also invest in high quality manufacturing equipment, which we believe produces higher quality products more efficiently. For example, we imported 10 high-speed croissant production lines from the Netherlands and five automatic cookie production lines from Denmark to support our launch of croissant and Danish butter cookie products, respectively. These production lines can also be utilized to produce other products. We also introduced two GEA cold-aseptic filling production lines from Italy and 21 Horyang beverage cans production lines from Taiwan, to enhance our production efficiency and quality control and support the expansion of our beverage business. Our Horyang beverage cans production lines, which are used to produce 480ml canned herbal tea, help us to lower the packaging cost of our herbal tea products by approximately more than 30% on a per-ml basis as we increased package size, from 310ml to 480ml.

We use efficient, advanced technology for our production facilities. We regularly monitor and upgrade our production technology, equipment and processes to enhance our production efficiency and lower our labor costs. For example, during 2014, we completed our production technology and equipment upgrade for our biscuit production lines in our Chengdu and Jinan production facilities, which increased the biscuit production capacity at each location. We also upgraded the Swiss roll production lines at 13 of our production facilities, which reduced the labor requirements for Swiss roll production at each location. We believe our continuing efforts to upgrade our manufacturing equipment will increase our production capacity and efficiency to meet growing market demand.

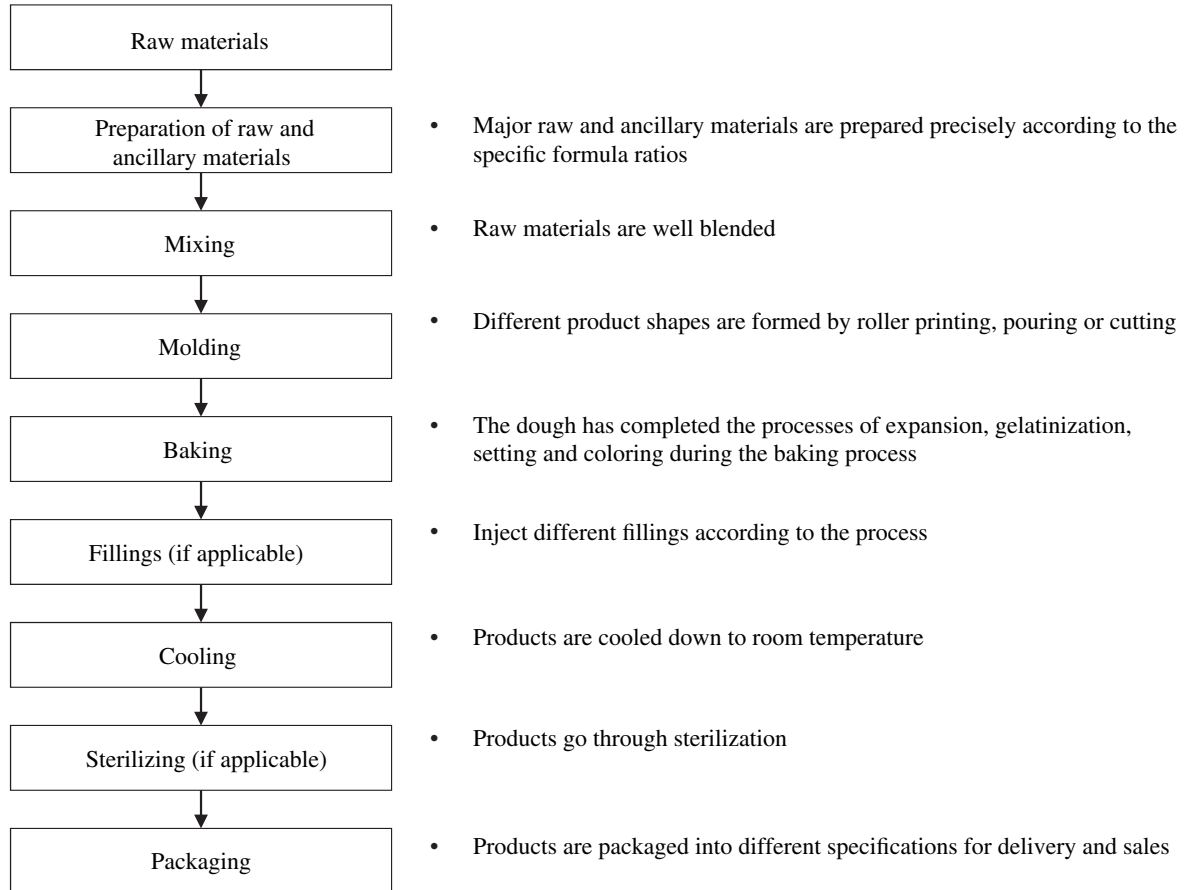
An example of our advanced technology production facilities are our beverage production lines, which are equipped with various advanced packaging capabilities that enable us to produce beverage products in PET bottles, cans and aseptic pack packaging, providing more choices to our consumers.

Our Production Process

Set out below are the typical production processes for our key products.

Production of Food Products

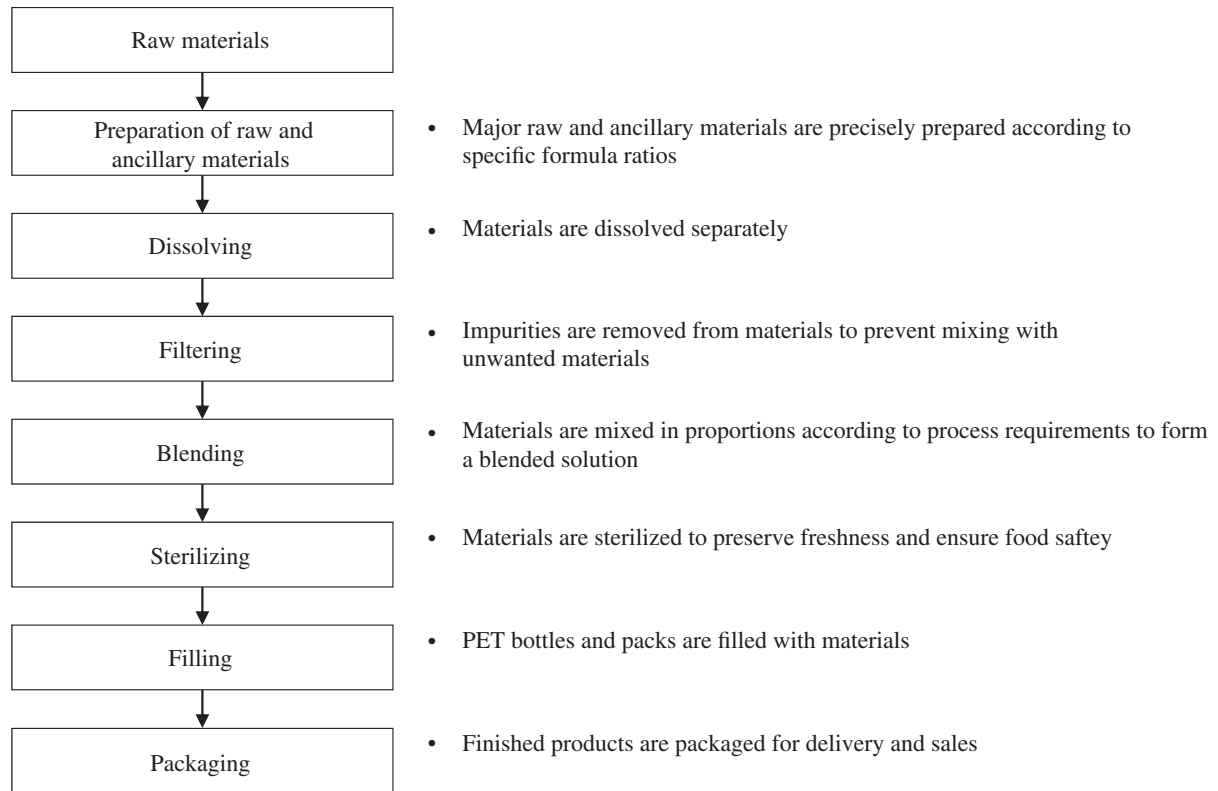
The following chart illustrates the production process of our key food products:



The methods used during the molding stage vary depending on the product type. Molding for bread, cakes and pastries products is typically conducted by injection molding or bakery depositors, while biscuits and potato products typically use molds. Fillings are only required for certain products such as pies, Swiss rolls and sandwich biscuits. Sterilization is only required for cakes and bread products.

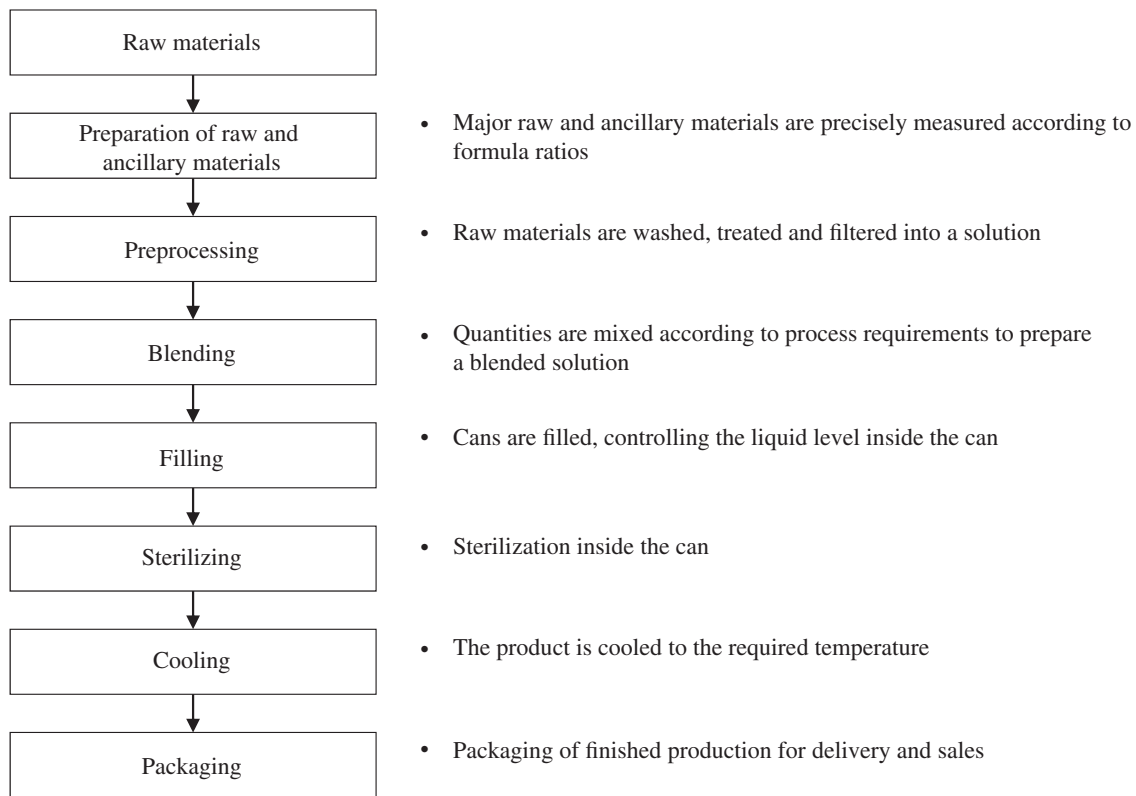
Production of Beverage Products

The following chart illustrates the production process for our key PET-bottled and aseptic pack beverage products:



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The following chart illustrates the production process of our key canned beverage products:



Initial preparation procedures of beverage products vary depending on the production technology requirements for the product type.

We continuously review the manufacturing process and analyze production data to explore opportunities for productivity enhancement and to adopt more effective practices consistently across our manufacturing lines.

Equipment Maintenance

In order to operate our production lines at optimal levels, we have a comprehensive maintenance system, which includes scheduled downtimes for maintenance and repairs and regular inspections of production facilities and equipment. As of June 30, 2015, our maintenance team consisted of over 400 employees. We carry out routine daily cleaning and maintenance of our production equipment to prolong their useful lives. Our different production lines and equipment have varying maintenance schedules and downtime periods, typically lasting no more than two weeks. We optimize our production capacity by scheduling major maintenance work during the low season for the relevant products' production lines. We did not experience any material or prolonged interruptions to our production process due to equipment or machinery failure during the Track Record Period.

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Our Production Expansion Plan

We intend to enhance the geographic coverage of our production network to reduce the transportation time and costs and enable us to gather more local market intelligence to promptly react to changes in local demand. When planning the expansion of our production network and our production capacity, we take into account local market conditions, our expected production needs, our resources at different stage and the competitive landscape in order to best leverage our competitive advantages at the time. We plan to expand our production network and our production capacity by establishing more new production bases, including one in Shenyang, Liaoning province for the production of our food and beverage products. For details of the capital expenditures for this project, please refer to the section headed “Financial Information—Liquidity and Capital Resources—Capital Expenditures” in this prospectus.

As of June 30, 2015, we had not yet commenced construction of the Shenyang production facilities. The construction is expected to commence in the second half of 2016, subject to the relevant administrative approvals of the local land and construction authorities. We expect to complete this expansion project in 2017. After the commencement of operations of Shenyang production facilities, our food and beverage annual production capacity is expected to increase by 21,120 tons and 107,800 tons, respectively. We expect to finance this expansion project primarily with the proceeds of the Global Offering.

QUALITY CONTROL AND FOOD SAFETY

Quality Control Management

We are committed to providing safe, high quality products. Our quality control management system is designed and standardized according to the requirements of General Hygienic Regulation for Food Enterprises, which provides us with detailed procedures covering each phase of our operations including procurement, production, inventory storage, logistics, sales and distribution processes.

Our quality control team is responsible for formulating, managing and supervising our quality control system. Our headquarters-level quality control department is responsible for quality control across our group-wide operations. We also have control and inspection centers at each of our production facilities, each with dedicated quality control personnel for each production line.

As of June 30, 2015, we had over 1,200 quality control personnel. As of June 30, 2015, our headquarters-level quality control team consists of 10 experienced personnel overseeing our quality control operation. The majority of our quality control team members have tertiary education degrees in food- or bio-chemistry-related studies and over five years of work experience in the food industry. Team members also have professional qualifications such as ISO internal auditor, senior baker and food engineer. In addition, the head of our quality control department is a committee member of both the National Baking Products Standardization Technical Committee (全國焙烤製品標準化技術委員會) and the National Leisure Food Standardization Technical Committee (全國休閒食品標準技術委員會). With the support of a well-established quality control team, we can effectively prevent and rectify any food quality and safety issues throughout our production process.

Quality Standards and Certifications

Our operations are in compliance with applicable Chinese laws and regulations in relation to food and beverage production and sale, as well as the quality control requirements imposed by China Food and Drug Administration (國家食品藥品監督管理局) and National Health and Family Planning Commission of the PRC (中華人民共和國國家衛生和計劃生育委員會). We have obtained the Production License for Industrial Products (工業產品生產許可證) for each of our Food and Beverage Subsidiaries. We are also subject to annual inspection by the relevant PRC government authorities, including AQSIQ.

We have been accredited with various international quality management certifications for our production facilities including ISO 9001:2008 at our headquarters, and ISO 22000:2005 at all of our Food and Beverage Subsidiaries. We obtained these certifications by applying for and passing documentary and on-site inspection by independent accreditation bodies. Our ISO-accredited production facilities have implemented various quality control procedures in compliance with the requirements under the relevant quality standards and certifications. These certifications are subject to annual independent audit by the relevant accreditation bodies.

- *ISO 22000:2005* specifies requirements for a food safety management system where an organization in the food chain needs to demonstrate its ability to control food safety hazards to ensure that food is safe at the time of human consumption; and
- *ISO 9001:2008* specifies requirements for a quality management system where an organization needs to demonstrate its ability to consistently provide products that meets customer and applicable statutory and regulatory requirements and aims to enhance customer satisfaction through the effective application of that system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

We have also obtained the Certificate of Health Food for our energy drink products, as well as the Production License for Health Foods for each of our Food and Beverage Subsidiaries producing Hi-Tiger products. The key assessment criteria in the application for Certificate of Health Food and Production License for Health Foods are preliminary review and testing, on-site inspection, sample testing and further examination.

Quality Control over Raw Materials

We have adopted and maintain strict procedures for the selection of our suppliers to ensure that the raw materials we use in producing our food and beverage products are of high quality. We use a qualified supplier list and typically work with reputable, large domestic suppliers to secure key raw materials used in our production process. We use standardized criteria for the selection and qualification of our suppliers on the basis of product quality, reputation, scale of production, price and ability to meet our delivery schedule. We require raw materials provided by our suppliers to meet our quality standards and Chinese national standards. If the raw materials supplied to us do not meet the quality standards stipulated under our supply contracts, we are entitled to reject them and be

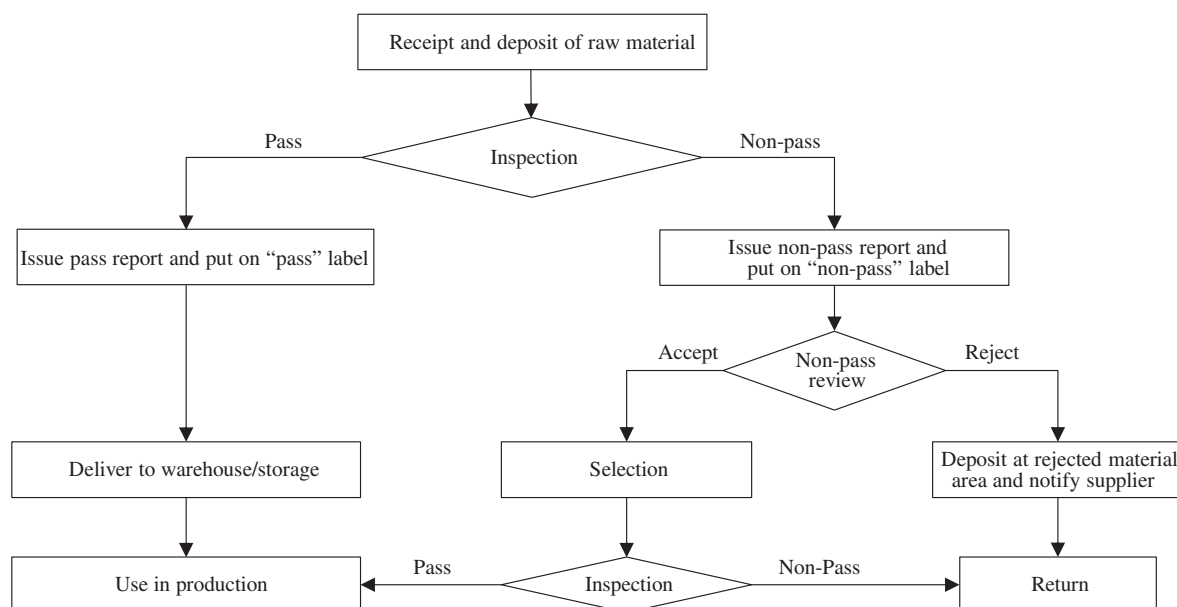
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compensated for any related costs. Furthermore, each new supplier has to pass our internal quality assessment process, including inspection of their production facilities and production process and testing of their prototype materials before we enter into a supply contract with them. We only appoint suppliers who can satisfy our internal selection criteria.

In addition, we have implemented quality control measures for our raw materials, primarily including:

- our raw material suppliers are required to provide inspection reports from independent laboratories for the raw materials they deliver;
- our quality control personnel conduct on-site inspection of suppliers' facilities on an ad-hoc basis;
- our quality control personnel conduct on-site inspections of raw materials delivered to our warehouses and other facilities before acceptance and examine whether the raw materials meet the quality standards stipulated in our supply contracts; and
- we perform laboratory sample testing on our raw materials in accordance with the standards stipulated by the Chinese government and applicable GMP standards, such as appearance, hygiene standards and level of chemical contents. Raw materials that fail these tests are marked, stored separately and returned to the supplier.

The following flow chart illustrates our quality control process over raw materials:

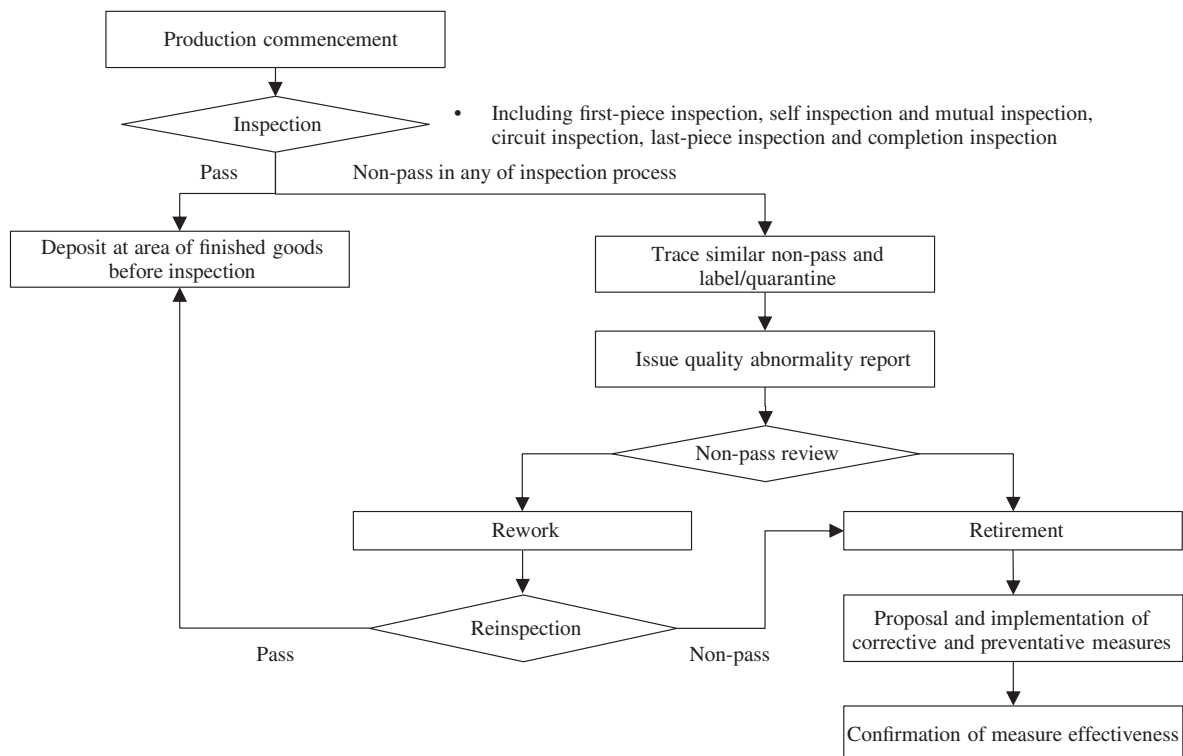


Quality Control over Production Process

We strictly adhere to our standardized production procedures to ensure consistent product quality. In addition to adopting internal procedures, we also adhere to the relevant industry standards in our production process, including ISO 9001:2008 and ISO 22000:2005, to ensure that our products are consistently produced in compliance with relevant national industry standards. We select and closely monitor key points in the production process that have the potential to materially impact the quality of our finished products, including temperature, pressure and timing, and we conduct sample testing at each key point to identify quality problems. We also conduct continuous inspection throughout the production process, such as monitoring temperature levels and production times. When a single sub-standard product is identified, we examine all products and work-in-progress in the same production batch to ensure that there are no quality issues relating to any of them. Any sub-standard products identified are immediately disposed of.

Apart from closely monitoring the production process, we also consider our employees to be an essential element in ensuring the integrity of our production process. We conduct annual health checkups for our employees and require them to maintain good personal hygiene. We also provide regular quality control, production safety and other technical trainings to our employees to ensure they can satisfy our technical and hygiene requirements.

The following flow chart illustrates our quality control process for our production process:



Quality Control over Our Inventory and Logistics

Our finished products are tested by samples before sending to our warehouses. Any sub-standard products that are identified are either disposed of immediately or returned to the previous production step for rectification, as appropriate. To facilitate this process, we have implemented detailed

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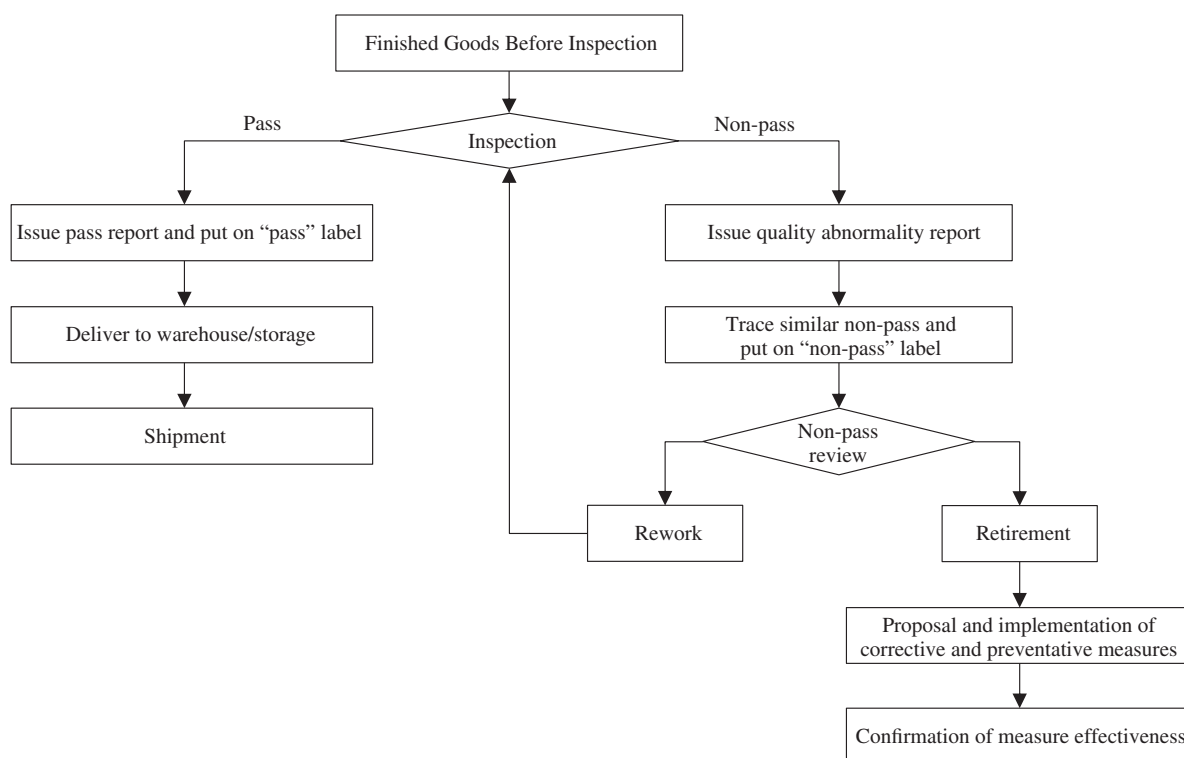
warehousing operation procedures, including timely record keeping, proper labeling and periodic stock-taking. We also maintain storage conditions according to the nature of our raw materials and finished products and impose strict sanitation requirements to prevent contamination and cross-contamination in our warehouses.

For quality control over logistics, we require our logistics service providers to make timely delivery to avoid any food deterioration during the delivery process. We also require our logistics providers to ensure a suitable delivery environment and sanitary standards in their transportation vehicles. Our quality control personnel continuously review the performance of our logistics service providers to ensure that goods delivered to us are in full compliance with our requirements.

Quality Control over Finished Products

Our finished products are stored at our warehouses before they are delivered to our customers. We store finished products in designated areas according to their production dates and product categories. All of our warehouses maintain well-ventilated storage conditions with controlled temperature and humidity to minimize the risk of product deterioration. In addition, we maintain a 24-hour consumer service hotline to ensure that consumer complaints are handled promptly. We collect all relevant product information from the consumer and trace the source of the defect, and we use this information to adjust and enhance our production and quality control processes to avoid similar quality issues from recurring.

The following flow chart illustrates our quality control process for our finished products:



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To further strengthen our quality control over finished products, we have recently implemented additional procedures for transportation and storage management of finished products specifying requirements for handling, stacking, storage, inspection and delivery of finished products, strengthening responsibility control system, and enhancing staff training for handling finished products.

Food Safety Management

We cooperate with 18 independent third-party laboratories, including SGS-CSTC Standards Technical Services Co., Ltd (通用標準技術服務有限公司), National Supervision and Inspection Centre for Package Product Quality (Guangzhou) (國家包裝產品質量監督檢驗中心(廣州)) and Fujian Inspection and Research Institute for Product Quality (福建省產品質量檢驗研究院), to conduct product quality and food safety testing on our products. These facilities conduct their operations in accordance with the relevant standards set by the Chinese government. In addition, we strictly follow the ISO 22000:2005 standard in identifying and controlling food safety issues, according to which we have established and enforced the following measures:

- (1) *Quality Control Programs*: our production facilities are designed and controlled in accordance with GMP criteria and Sanitation Standard Operating Procedure (SSOP). Our employees are required to strictly follow these standards, including maintaining hazard-free working environments and controlling cross-contamination.
- (2) *HACCP System*: we have established a dedicated HACCP team at each of our Food and Beverage Subsidiaries to formulate and implement our HACCP procedures. We have appointed the head of production at each of our Food and Beverage Subsidiaries to lead the respective HACCP teams, each of whom has substantial experience in food production and quality control, and is responsible for supervising the implementation of our HACCP procedures, reviewing the effectiveness of the HACCP system and reporting to our senior management about any material food safety issues identified.
- (3) *Food Safety Risk Management and Emergency Response*: our quality control department is responsible for analyzing and identifying food safety risks involved in our production processes. Our senior management assess the risks reported by different departments and takes preventive measures to address. We maintain a food safety emergency response plan that sets out detailed response procedures and responsibilities of each department involved. If any food contamination is identified, the production in the relevant production facility is suspended and the facility is thoroughly sanitized. The production in the relevant facility resumes only when the production director or quality control department confirms that the facility can satisfy our food safety requirements.
- (4) *Interactive Communication*: we maintain a standardized communication procedure to facilitate internal and external communications, according to which we maintain regular close contact with the relevant regulatory authorities, distributors, key accounts, consumers, suppliers and employees to gather essential food safety information. All of these stakeholders provide valuable information to us, which enables us to improve our quality control and minimize food safety issues.

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As described above, we have established effective food safety management systems covering the production process from raw materials to final products, inspections and quality control, inventory management, transportation and distribution of our food products. In addition, we also continuously enhance our internal procedures in accordance with developments in the relevant food safety law and regulations. For example, in anticipation of the recently amended Food Safety Law of the PRC that became effective on October 1, 2015 (the “New Food Safety Law”), the measures we have implemented or will implement include the following:

- our storage facilities and conditions and logistics facilities are in compliance with the New Food Safety Law; we also monitor the storage conditions of our distributors in accordance with the New Food Safety Law;
- our Hi-Tiger energy drink is in compliance with the relevant requirements for health food under the New Food Safety Law, including those in respect of labeling and promotion;
- we maintain additional records for raw materials and packaging materials delivered to us by our suppliers, including the name and contact details of the supplier, specification, quantity, date of production or production batch number, preservation period and date of delivery; we are also optimizing our inventory management rules to maintain the relevant inspection records and supporting documents for our raw materials and packaging materials for not less than six months after the expiration of their respective preservation periods; for those raw materials or packaging materials without a specified preservation periods, to maintain the relevant inspection records and supporting documents for not less than two years; and
- for our finished products, we keep additional records of the preservation period and purchaser’s address; we also maintain custody of the relevant inspection records and supporting documents for not less than six months after expiration of their respective preservation periods.

Product Returns, Warranties, Consumer Feedback and Product Recall

Our distributors generally cannot return our products after they have accepted delivery. Returns and exchanges are permitted only if the products are defective. For products that are returned, we are fully responsible for the costs of returning or exchanging these products. Our key accounts are generally entitled to return defective products, or expired or unsalable products under certain circumstances.

During the Track Record Period, there were no material product returns from our customers. This reflects the quality and generally strong consumer demand for our products. As a result, we did not record any provision for product warranty during the Track Record Period.

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We use detailed procedures to collect and process consumer feedback. Our sales management team uses consumer service hotlines to receive consumer inquiries, feedback and complaints. We record complaints that we receive, including information regarding the relevant products involved, such as product series and batch number. The consumer complaints that we have received related mainly to problems that occurred in the distribution process after we sold the products, such as molding caused by packaging breakage or unclear labeling resulting from friction during transport. Our sales personnel responsible for the relevant region have the initial responsibility for complaints, and they subsequently reach out to the consumers and collect additional information regarding their complaints. The bar codes and production dates printed on our products facilitate our sales personnel in addressing these types of issues. Based on the information collected by our sales personnel, the relevant production departments are notified about any reported product defects and carry out remedial measures as necessary. Our sales management team is responsible for following up on complaints to ensure that they have been dealt with appropriately. We address complaints in a variety of ways, including communicating with consumers, paying them reasonable compensation, and taking appropriate actions against hostile complaints.

We have also established relevant product recall procedures. Once we identify products that require recall, we immediately form a recall committee to facilitate the recall process. The committee will ascertain the relevant product batch and range to be recalled and promptly inform the relevant parties, including our distributors in their respective geographic region for the recall. The uniform batch numbers marked on our product packaging enable us to efficiently trace the products which are subject to the recall and retrieve such products in a timely manner. We maintain detailed records of (i) products involved in the recall; (ii) products entered the sales network; (iii) products in our inventory; and (iv) products successfully recalled, and take appropriate measures for the recalled products, including destroying the defective products.

During the Track Record Period and as of the Latest Practicable Date, (i) we were not subject to any material fines or other penalties from Chinese government authorities regarding product quality or safety, (ii) we were not required by Chinese law to undertake any mandatory product recalls; (iii) we did not have any material product liability exposure, and (iv) we did not receive any material complaints from consumers in connection with product quality.

RESEARCH, DEVELOPMENT AND UPGRADE

We believe that our research and development capabilities have enabled us to maintain our competitiveness through improving current products, continuously expanding product offerings and diversifying product portfolio.

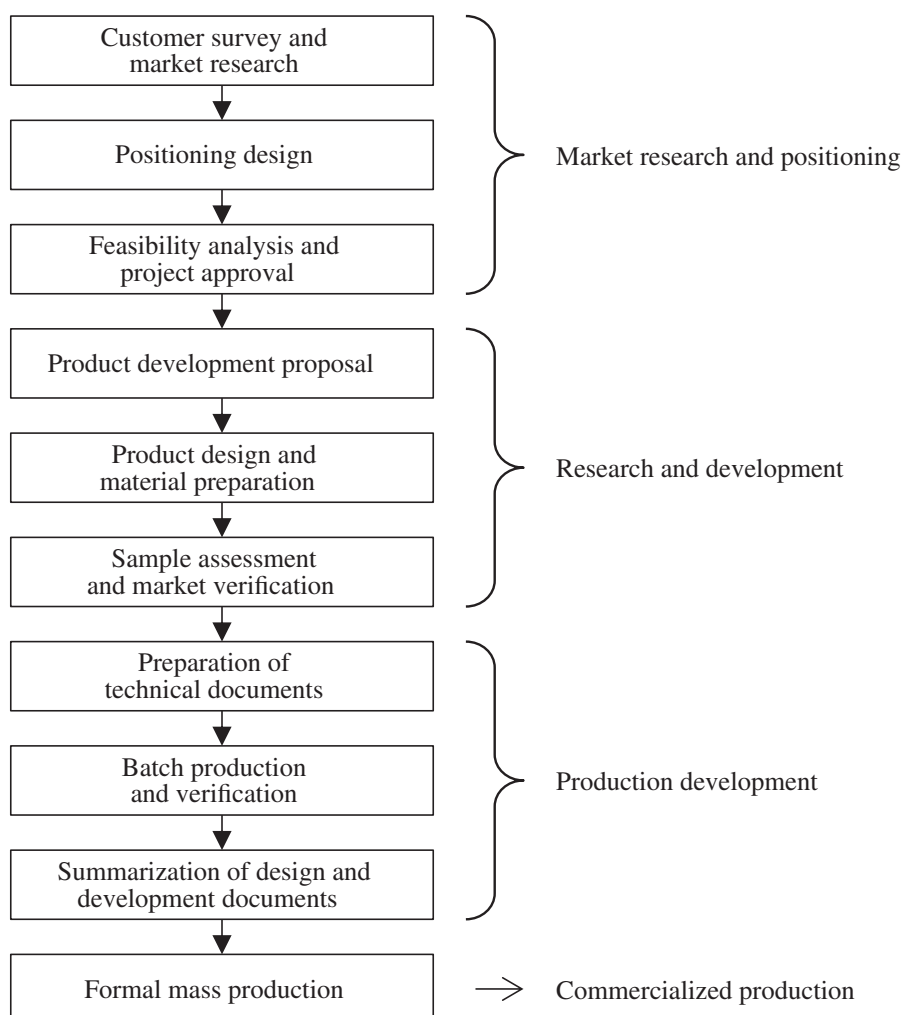
Our product research and development center is located at our headquarters and is equipped with sophisticated laboratory equipment, including specialized food testing and processing machines for biscuits, cutting products, processing of laminated doughs and coating and spraying. We have separate research and development teams for our food products and our beverage products. As of June 30, 2015, we employed over 50 research and development professionals, half of whom have more than 10 years of related work experience and have obtained relevant tertiary education degrees. In 2014, we were

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selected as one of the Top 100 Innovative and Advanced Enterprises (百家創新投入能力先進企業) by the China National Light Industry Council (中國輕工業聯合會). We also regularly conduct market research and collect market information from our sales and marketing departments to assist the research and development of new products.

We have a track record of launching successful new products that help drive our revenue growth. We typically launch approximately three to five new products per year. During the Track Record Period, we successfully launched products such as croissants, Danish butter cookies, European cakes, Kaqu French fries and energy drinks, large can herbal tea, and aseptic pack peanut milk. In 2015, we have introduced pork floss pies, nuts pies, caramel cookies, children's biscuits and a new bottled water product. As of the Latest Practicable Date, we had 16 food products and six beverage products in the research and development pipeline.

The illustration below shows the major stages of a typical new product launch:



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In addition to developing new products, we continuously upgrade our existing products by developing different packaging, flavors and appearance to meet consumer demands, tastes and preferences. For example, in 2014, we introduced Heqizheng herbal tea in two-piece aluminum cans with lower packaging cost on a per-ml basis, compared to the previous market-standard three-piece steel cans. Our herbal tea in two-piece cans were the first in the China market, according to Frost & Sullivan. We also introduced 45g packaging Copico potato chips, using a product size offered by few other competitors. In addition, our product innovation efforts have led to the introduction of new flavors for our existing products such as milk and orange flavors of soft French bread. We also collaborate with our raw material suppliers in enhancing the quality of the raw materials we use in the production of our food and beverage products, such as flour and butter.

We incurred total research and development costs for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 of RMB41.8 million, RMB43.1 million, RMB45.1 million and RMB24.3 million, respectively. We intend to focus on developing premium-quality products in the future, and we expect that our investments in research and development will increase due to the advanced technology required in developing new premium-quality products.

RAW MATERIALS, PACKAGING MATERIALS AND SUPPLIERS

The primary raw materials that we use in the production of our food products are eggs, flour, sugar and palm oil and the primary raw materials for our beverage products are sugar, powdered milk, mesona and peanuts. Other important raw materials used in our production process include flavoring essences, spices, additives and seasoning powder. We also purchase and use large quantities of packaging materials, including polyester chips, cardboard boxes, cans and aseptic pack.

Most of our primary raw materials, such as flour, sugar and plam oil, are commodities. Their prices generally fluctuate with market conditions. The prices of our other primary raw materials and packaging materials generally fluctuate as a result of various factors, including supply and demand, our bargaining power with our suppliers, logistics and processing costs, and government regulations and policies. For further details of the sensitivity of our net profit during the Track Record Period in relation to movements in our costs of certain major raw materials, please see the section headed “Financial Information—Description of Selected Income Statement Line Items—Cost of sales” in this prospectus.

We generally centralize our procurement of our raw materials and packaging materials to take advantage of our economies of scale and to increase our bargaining power with suppliers. We believe that our centralized procurement system enables us to obtain more competitive prices and avoid regional or other price variation.

Our headquarters is in charge of the management and supervision of our procurement team, which consisted of 15 dedicated employees at our headquarters level as of June 30, 2015. Our headquarters-level procurement team and our procurement staff at our subsidiaries are responsible for procuring raw materials and packaging materials and controlling procurement costs. We have not entered into any hedging activities in relation to commodity prices. However, we have sought to mitigate the impact that raw materials and packaging materials’ price fluctuations have on us by making purchases when we believe that prices are low. We have also adopted the following measures

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in monitoring and analyzing raw material and packaging material market prices: (i) regularly monitoring market prices, (ii) conducting market analysis to anticipate potential changes in prices, (iii) negotiating and determining purchase prices with our suppliers, with reference to the market data obtained during the regular monitoring of and analysis on the market prices, and (iv) identifying alternative suppliers who offer competitive prices. We believe that these cost control measures enable us to better understand the fluctuation of prices of our raw materials and packaging materials, increase our bargaining power, and allow us to obtain more competitive prices when negotiating supply contracts with our suppliers.

Raw Materials

We sourced our key raw materials, including sugar, eggs, flour, palm oil, powdered milk, mesona and peanuts, from various domestic suppliers. We also procure certain premium imported raw materials from international suppliers. We generally coordinate sourcing requirements and centralize procurement at our headquarters to leverage our scale. Our headquarters usually enters into annual supply contracts with suppliers at fixed purchase prices, subject to price adjustment by mutual agreement in the event of market volatility. Purchases of primary raw materials must be made with suppliers approved by our headquarters.

Our potato powder processing facility in Gansu produces a majority of the potato powder required for the production of our chips, fries and other potato-based products. Our Gansu facility sources potatoes from local farms in Gansu. We usually enter into potato supply contracts with local farms in Gansu with a specified term which is set according to our production needs.

All raw materials provided by our suppliers are required to meet our quality standards and the standards set by the Chinese government, such as the PRC national standards for flour (NY/T 1039-2014), palm oil (GB 15680-2009), white sugar (GB 317-2006) and potatoes (SB/T 10752-2012).

We use water at our production facilities in the production of our various products. We obtain water from the relevant local water supply companies or from local resources bureaus upon the commencement of operations at each of our production facilities. We did not experience any water shortage or problems with water quality during the Track Record Period, and we had not received any complaints or been subject to any penalties in connection with water quality during the Track Record Period and up to the Latest Practicable Date.

Packaging Materials

Our packaging materials are mainly cardboard boxes, polyester chips, cans, aseptic pack, labels and packaging bags. We produce and supply substantially all packaging bags and a majority of labels for our products and we sourced other packaging materials from independent third party domestic suppliers. These procurement practices allow us to strategically alter the amount of packaging materials sourced in accordance with the price level to optimise packaging material cost.

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We generally enter into framework supply contracts with a term of one year with various suppliers of our packaging materials. These framework contracts specify the price of various packaging materials but do not contain any annual target purchase volumes. Instead, the purchase volume is determined by the purchase orders that we send to our suppliers during the term of the supply contracts. All packaging materials provided by our suppliers are required to meet the food safety standards set by the Chinese government.

Suppliers

We typically work with large reputable domestic suppliers to secure the key raw materials used in our production process. Our raw materials are generally available from a number of domestic suppliers, and we normally have various sources of supply for each type of raw materials to reduce our dependency on a single supplier. During the Track Record Period, we did not encounter any shortages of supply of our raw materials and packaging materials, nor did we experience any significant problems with the quality of the raw materials and packaging materials provided by our suppliers.

We select our suppliers on the basis of product quality, brand and market reputation. We require raw materials provided by our suppliers to meet the food safety standards set by the Chinese government. If raw materials supplied to us do not meet applicable Chinese food safety standards, we are entitled to reject them and be compensated for any related costs. Furthermore, all new suppliers are required to pass our internal quality assessment process, including inspection of their production facilities and production process and testing of their prototype materials before we enter into a supply contract with them.

Our suppliers are usually responsible for arranging delivery of raw materials and packaging materials to our designated destinations at their own costs. During the Track Record Period, we did not encounter any delay in delivery of raw materials and packaging materials by our suppliers that significantly affected our production operations. After we have received the raw materials and packaging materials, we will perform quality checks and are entitled to return the raw materials and packaging materials which fail to meet the standards set by the Chinese government to our suppliers. For further details of our quality control measures on our raw materials, please see the paragraph headed “—Quality Control and Food Safety” in this section.

Our suppliers grant us payment terms that vary depending on a number of factors including our relationship with the suppliers and the size of the transactions. Our suppliers typically provide us with credit terms within 30 days of our suppliers’ delivery of the products to us, and we usually settle our trade payables by bank transfers.

For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our purchase from our five largest suppliers accounted for 10.2%, 10.4%, 8.5% and 7.8% of our total purchases, respectively, and purchase from our largest supplier accounted for 2.4%, 2.6%, 2.1% and 2.5% of our total purchases, respectively. All of our five largest suppliers during the Track Record Period are independent third parties.

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We have maintained long-term and stable relationships with our suppliers. For our five largest suppliers during the Track Record Period, we had business relationships with these suppliers on average of approximately six years. None of our Directors, their respective associates or any Shareholder who, to the knowledge of our Directors, owned more than 5% of our issued share capital as of the Latest Practicable Date, has any interest in any of our five largest suppliers during the Track Record Period.

During the Track Record Period, we did not have any material disputes with our suppliers.

Raw Material and Packaging Material Inventories

We manage our raw material and packaging material inventories with an advanced inventory control process that requires close co-ordination among our various functional departments, including sales and marketing, raw material and packaging material procurement, production and storage. This process enables us to track the in-coming and out-going inventory and the level of inventory on a timely basis so as to maintain an optimum level of raw materials and packaging materials. For further details of the inventory management on our raw materials and packaging materials, please see the paragraph headed “—Inventory Management” in this section.

LOGISTICS AND TRANSPORTATION

During the Track Record Period and as of the Latest Practicable Date, we had outsourced a majority of our product transportation to independent third party logistics service providers. As of the Latest Practicable Date, we had over 50 logistics service providers. We usually enter into annual services agreements with our logistics service providers, which are subject to monthly reviews and assessments on their performance. We assess our logistics service providers based on frequency of on-time delivery, transportation capability and overall service quality. We make suggestions to our logistics service providers based on the result of the assessments and urge them to make improvement accordingly. Under the terms of our current service agreements, we are entitled to terminate the agreements if the logistics service providers fail to satisfy our standards and requirements. Previously, certain of our distributors picked up products at our facilities at their own expenses. Beginning from the second half of 2014, we discontinued this practice to improve our distributor management.

Our transportation arrangements with third party professional logistics providers enable us to reduce the capital investment in developing and maintaining an in-house logistics system. The risks relating to transportation and delivery of our products are also transferred to third party logistics service providers. During the Track Record Period and as of the Latest Practicable Date, we had not experienced any significant delay or poor handling of goods that materially and adversely affected our business operations. Furthermore, the current logistics services market provides sufficient alternative options of logistics service providers which can offer similar terms as our existing logistics service providers. We do not anticipate any shortage of logistics services in the foreseeable future.

INVENTORY MANAGEMENT

As food and beverage production is a time-sensitive industry, an effective inventory management system helps us to reduce the risks associated with deterioration of raw materials, packaging materials and products, which are also requirements of our commitment to high quality products.

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Our inventories primarily consist of raw materials, packaging materials and finished products. Our inventory management process adopts a first-in-first-out policy. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our inventory turnover days were 45.0, 41.2, 36.7 and 29.3 respectively. Our raw material and packaging material procurement is based on orders that we have received from our customers and the orders that can be reasonably anticipated. We typically maintain raw material and packaging material inventory levels sufficient for 30 days of our production. Once our finished products are produced, we endeavor to deliver them to our customers at the earliest possible time.

We generally do not over-stock finished products and maintain a finished product inventory level of approximately one week. This inventory level is determined through the communication among operating departments and between our Group and our customers based on different seasons and sales plans.

We have warehouses at each of our production facilities. Our finished products are stored in designated areas categorized according to their respective dates of production. All of our warehouses maintain well-ventilated storage conditions with controlled temperature and humidity to minimize the risk of food deterioration.

Slow-moving inventories are categorized according to the nature and provision is made to the extent that the net realizable value is lower than cost. Impairment of inventories recorded during the Track Record Period was primarily because we made changes in our packaging for some of our products, which made the old packaging obsolete. For details of impairment of our inventories, please see the section headed “Financial Information—Critical Accounting Policies, Judgments and Estimates—Provision for slow-moving inventories and net realizable value of inventories” in this prospectus.

AWARDS AND RECOGNITION

We have received numerous awards and recognition in respect of quality of our products, brand recognition and our social responsibilities, including the key awards and recognition set forth in the table below:

Year	Awards and Recognition	Issuing Authority
2006	China Top Brand (Daliyuan) (中國名牌 (達利園))	Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量監督檢驗檢疫總局)
2008	Chinese Industry Symbolic Brand (Pie) 2008 (中國派類食品標誌品牌 2008)	China Brand Research Institute (中國品牌研究院)
2011	China Famous Trademark (Copico) (中國馳名商標 (可比克))	State Administration for Industry & Commerce (國家工商行政管理總局)

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Year	Awards and Recognition	Issuing Authority
2012	Ranked No. 1 among Top 10 China Light Industry (Bakery and Confectionary: Biscuit) Enterprises in 2011 (2011年度中國輕工業焙烤食品糖製品行業(餅乾)十強企業行業排名第一)	China National Light Industry Council (中國輕工業聯合會)/China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會)
2013	The 8th session of China Charity Award (第八屆“中華慈善獎”)	Ministry of Civil Affairs of the People's Republic of China (中華人民共和國民政部)
	Leading Enterprise in China Bakery and Confectionary Industry (中國焙烤食品糖製品產業龍頭企業)	China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會)
	Top 10 China Light Industry (Bakery and Confectionary: Biscuit) Enterprises in 2012 (2012年度中國輕工業焙烤食品糖製品行業(餅乾)十強企業)	China National Light Industry Council (中國輕工業聯合會)/China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會)
	Leading Enterprise of National Food Industry in 2012-2013 (2012-2013年度全國食品工業優秀龍頭食品企業)	China National Food Industry Association (中國食品工業協會)
	Most Recommended New Product in terms of Growth Potential in China (Hi-Tiger) (中國最具成長潛力新品(樂虎))	Selection Committees of Rising Star in China Food Industry (中國食品產業成長之星評選委員會)/Magazine of Confectionary, Tobacco and Liquor (糖煙酒週刊雜誌社)
2014	Famous Trademark (Haochidian) (馳名商標 (好吃點))	State Administration for Industry & Commerce (國家工商行政管理總局)
	National Advanced Enterprise in Quality Inspection(全國質量檢驗工作先進企業)	China Association for Quality Inspection (中國質量檢驗協會)

COMPETITION

We compete on a product-by-product basis with other large domestic and multi-national manufacturers of snack food and non-alcoholic beverage products. Competition among snack food and non-alcoholic beverage producers in China is primarily based on price, brand recognition, taste, product quality, distribution channels and marketing. We believe our well-known food and beverage brands, innovative product research and development capabilities, extensive and well established nationwide sales network, creative marketing and experienced management distinguish us from our competitors.

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Snack Food—According to Frost & Sullivan, China’s snack food market has seen relatively fast growth, with a CAGR of 12.7% from 2009 to 2014. The total market size in terms of retail sales value reached RMB348.1 billion in 2014. China’s snack food market is expected to maintain a relatively high growth rate and is expected to reach RMB598.6 billion in terms of retail sales value in 2019, representing a CAGR of 11.5% from 2014 to 2019. China’s snack food market is highly fragmented.

Non-alcoholic Beverage—According to Frost & Sullivan, China’s non-alcoholic beverage market has experienced relatively fast growth, with a CAGR of 16.7% from 2009 to 2014. The total market size in terms of retail sales value reached RMB962.6 billion in 2014. China’s non-alcoholic beverage market is expected to maintain a relatively high growth rate and reach RMB1,702.0 billion in terms of retail sales value in 2019, representing a CAGR of 12.1% from 2014 to 2019. China’s non-alcoholic beverage market is relatively fragmented.

There are barriers to entry for the food and beverage production industry. For example, food and beverage manufacturers are required to obtain certain permits and licenses and are subject to regulatory inspections. New entrants need sufficient resources and stringent quality and hygiene control procedures to meet these regulatory requirements. In addition to these regulatory requirements, substantial capital investment, extensive distribution and sales networks and strong product research and development capabilities are required for entry into this market.

We are aware that some of our competitors, in particular the large multi-national brands, may have substantially greater financial, product development and other resources than we have. We believe, however, that we have competitive advantages over our competitors in China’s snack food and non-alcoholic beverage industry, including our innovative product research and development capabilities, extensive nationwide sales and distribution network with strong presence in traditional trade channel, strategically deployed nationwide production bases and commercialization, household food and beverage brands portfolio and a management team with vision and efficient execution power. Please see the sections headed “Industry Overview—Distribution Channels of Snack Food and Non-alcoholic Beverage Industry in China”, “Industry Overview—Competitive Landscape” and “—Our Competitive Strengths” in this prospectus for further details.

SEASONALITY

Overall sales of our products are fairly balanced throughout the year, although demand for certain products may be influenced by holidays, changes in seasons or other reasons. Given the diversity of our product offerings across multiple snack food and beverage categories, we do not believe that seasonality has any material effect on our results of operations as a whole.

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EMPLOYEES

As of June 30, 2015, we had 35,939 employees. The table below sets out a breakdown of our employees by function as of June 30, 2015.

Function	Employees
Production	22,731
Sales and marketing	10,174
Research and development and quality control	1,272
Human resources and administration	1,432
Finance and accounting	188
Procurement	142
Total	<u>35,939</u>

Our employees are important strategic resources for our development. In addition to basic salaries, we provide various staff benefits to our employees. For the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015, our total employee benefit expenses were approximately RMB822.0 million, RMB909.0 million, RMB1,146.0 million and RMB662.3 million, respectively.

We provide continuing education and training programs to our employees to improve their skills and develop their potential. We also adopt evaluation programs through which our employees can receive feedback on their performance. We foster strong employee relations by offering various staff benefits and personal development support. Our subsidiaries in China have established labour unions in accordance with the applicable Chinese law. We are not subject to any collective bargaining agreements. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any material labor disputes or claims.

OCCUPATIONAL HEALTH AND SAFETY

Our operations are subject to a number of Chinese laws and regulations with respect to employee health and safety. Based on these regulations, we have implemented safety guidelines in relation to safety control procedures and standards, including procedures for handling safety issues, accident investigation procedures, protective and remedial measures, and accident reporting procedures. We require all of our employees to strictly comply with these guidelines. We carry out regular safety checks on our production equipment to ensure that the equipment is thoroughly tested and safe for use. We also require operators of our production equipment to attend training sessions on the required safety standards. Furthermore, all of our employees are provided with regular workplace safety training and equipment and an internal health and safety manual.

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Our PRC Legal Advisors have confirmed that, according to written confirmation letters issued by relevant competent government authorities, during the Track Record Period and up to the Latest Practicable Date, we had complied in all material aspects with all material applicable PRC laws and regulations in relation to employee health and safety. During the Track Record Period, we did not experience any major accidents in the course of our production process that resulted in the death or serious injury of our employees.

INSURANCE

We consider our insurance coverage to be adequate as we have in place all the mandatory insurance policies required by Chinese laws and regulations and in accordance with the commercial practices in our industry. Our insurance coverage primarily includes property insurance, employee related insurance, employer liability insurance and motor vehicle insurance. Our employee-related insurance consists of employee pension insurance, maternity insurance, unemployment insurance, work-related injury insurance, medical insurance and housing funds as required by Chinese laws and regulations.

PROPERTIES

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which require a valuation report with respect to all of our Group's interests in land or buildings. This is because as of June 30, 2015, each of our properties had a carrying amount that was less than 15% of our consolidated total assets.

As of June 30, 2015, each of our properties had a carrying amount that was less than 1% of our consolidated total assets, except for one property which had a carrying amount that was less than 2% of our consolidated total assets.

Owned Properties

As of the Latest Practicable Date, we owned 54 parcels of land with an aggregate site area of approximately 3,117,191.23 sq.m. for our production facilities, ancillary facilities and offices. We have obtained the land use rights certificates for 54 parcels of land, two of which have title defects ("Defective Land"). The Defective Land has a total site area of 92,257 sq.m. in Quanzhou, Fujian province, which accounted for approximately 3.0% of the total site area of land use rights we owned. The Defective Land was obtained by Quanzhou Dali from the competent government authorities by way of state allocation (劃撥) at the time the company was being incorporated. We obtained the state-owned land use right certificates for the Defective Land. As a private company, we are required to complete land use right transfer procedures to convert these allocated land use rights into granted land use rights. We have obtained a written confirmation from relevant government authorities confirming that this was due to historical reasons and there would be no administrative penalty imposed on us for not having completed the land use right transfer procedures and the relevant government authorities will complete the relevant land use right transfer procedures in a timely

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manner and there is no non-compliance issue or legal impediment for such land use right transfer procedures. We are going through the land use right grant procedures to ensure the obtaining and usage of such land use rights in compliance with the applicable laws. The Company does not expect the premium payable, if any, for the granted land use right to have any material effect on our financial condition. We use the Defective Land for production facilities, ancillary facilities and offices. According to our PRC Legal Advisors, this will not materially affect our business operations or financial condition and the opportunity that the relevant government authorities require us to relocate is remote. Based on the aforesaid, the Directors are of the view that the Defective Land is not crucial to the Group's operations.

We owned 227 buildings with an aggregate gross floor area of 1,587,185.73 sq.m. for our production facilities, warehouses, offices and dormitories. We have obtained building ownership certificates for all of our buildings, except as described in the following paragraph.

As of the Latest Practicable Date, we had a construction project in Sanyuan, Shaanxi province, which will be used as production and ancillary facilities, for which construction was recently completed. We have obtained the land use rights certificate for these facilities, however, in non-compliance with the relevant Chinese laws and regulations, we have not obtained the construction planning permit (建設工程規劃許可證) and the construction work commencement permit (建築工程施工許可證) for these facilities. We have obtained a written confirmation from the relevant government authorities confirming that (i) the lack of the abovementioned permits has not resulted in any material consequences and no penalty will be imposed; and (ii) the relevant government authorities approve the constructed project and will assist us in obtaining the relevant building ownership certificates, and there is no significant impediment for us to obtain the relevant building ownership certificates. According to our PRC Legal Advisors, there will be no significant legal impediment for us to obtain the relevant building ownership certificates for this construction project.

Leased Properties

As of the Latest Practicable Date, we leased 25 properties with a total gross floor area of approximately 262,402.60 sq.m. We have not obtained the registration certificate for lease of 25 leased property (accounting for 100% of our total leased floor area). Our PRC Legal Advisors advised us that this does not affect the validity and enforceability of the lease agreement, but we may be subject to fines of up to RMB10,000 for each such lease agreement for failure to register.

Buildings under Construction

As of the Latest Practicable Date, we had one building under construction in Xiamen, Fujian province, which will be used as offices. We have obtained the land use rights certificate and the relevant construction permits for this building.

INTELLECTUAL PROPERTY

Our intellectual property rights are very important to our business, primarily because we rely significantly on consumers' recognition of our brand names.

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As of June 30, 2015, we had registered 118, 18, 14 and three trademarks in China, Hong Kong, Taiwan and with the Madrid System for the international registration of marks, respectively, 26 patents and 24 copyrights in China. Fujian Dali, our connected person, has agreed to transfer to us a number of trademarks that we used during the Track Record Period. For detailed information, please see the section headed “Connected Transaction—Continuing Connected Transactions—Exempt Continuing Connected Transactions”.

As of June 30, 2015, we have made five and 27 trademark applications in Hong Kong and China, respectively, which are still being processed by the relevant governmental departments. The fact that those trademarks are not registered, does not have any material impact on the operations and financial condition of our business as we have conducted searches prior to applying for registration of these trademarks, and we do not consider that there is a material risk that we cannot complete the registration of these trademarks. Details of our intellectual property rights registered and pending registration which we consider to be or may be material to our business are set out in the section headed “Appendix IV—Statutory and General Information—B. Further Information about our Business—2. Intellectual Property Rights of our Group” in this prospectus.

We apply a proactive approach in managing our intellectual property rights. We undertake defensive registrations of our trademarks in additional categories where it is reasonably foreseeable that such trademarks may be used in our products in the future. Registration of intellectual property rights is usually made by our legal department. We identify infringement incidents by our sales team conducting random inspections and from reporting of infringement incidents we receive from various sources such as our distributors and consumers. We take action immediately upon becoming aware of a potential infringement of our intellectual property rights including reporting to the relevant Chinese government authorities. During the Track Record Period and up to the Latest Practicable Date, there have been no disputes or infringements in connection with our intellectual property rights pending or threatened against our Group which could have a material adverse effect on our operations or financial performance.

ENVIRONMENTAL MATTERS

Our business is subject to Chinese environmental laws and regulations including the Environmental Law of the PRC (《中華人民共和國環境保護法》), the Law on Prevention and Treatment of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), the Law on the Prevention and Treatment of Water Pollution of the PRC (《中華人民共和國水污染防治法》) and the Law on the Prevention and Treatment of Solid Waste of the PRC (《中華人民共和國固體廢物防治法》). We are also subject to annual inspections by relevant Chinese regulatory authorities.

In order to satisfy the environment protection requirements for different pollutants, we have adopted a series of environmental impact control measures:

- **Air Pollution:** We have installed dust-extraction units and desulfurizers at all of our waste gas discharge outlets. As a result, our air pollutant emission satisfies level 2 standard of the Integrated Emission Standard of Air Pollutants (《大氣污染物綜合排放標準》) (GB 16297-1996).

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- **Water Pollution:** We strictly follow the Integrated Wastewater Discharge Standard (《污水綜合排放標準》) (GB8978-1996). For our food production process, we have adopted a combination of physical-chemical measures and biological measures, the combination of the dissolved air flotation system (溶氣氣浮) and biological contact oxidation process (生物接觸氧化法). For our beverage production, we use the air flotation +A/O process (氣浮+A/O法). These wastewater treatment methods can effectively reduce water pollution from our production process.
- **Solid Waste Pollution:** We strictly follow the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB 18597-2001) in processing our solid waste through various methods, including hazard-free treatment, centralized storage and instant clearance.

Additionally, we have adopted a set of emergency planning, response and control procedures as countermeasures for unexpected environmental pollution accidents to minimize any adverse effect caused by potential environmental non-compliance.

We incurred total environmental compliance costs for the three years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 of RMB4.0 million, RMB5.8 million, RMB7.0 million and RMB3.7 million, respectively.

LEGAL COMPLIANCE AND PROCEEDINGS

We have detailed compliance procedures to identify and control the legal risks in our operations. Our legal and compliance department and its experienced professional team strictly follow the policies to track the validity of our licenses and permits and supervise the lawful execution of our contracts. According to our PRC Legal Advisors, other than as disclosed in this prospectus, we have complied in all material aspects with all applicable laws and regulations in China during the Track Record Period. All of our Food and Beverage Subsidiaries have obtained all necessary permits and licenses required for their business operations.

As advised by our PRC Legal Advisors, according to the confirmation letters issued by relevant social insurance authorities and housing provident fund authorities, we confirm that we have complied in all material aspects with all the requirements under the Interim Regulation on the Collection and Payment of Social Insurance Premiums (《社會保險費繳交暫行條例》), the Interim Provisions on Registration of Social Insurance (《社會保險登記管理暫行辦法》) and Regulations on Management of Housing Provident Fund (《住房公積金管理條例》).

Non-compliance Matters

One of our subsidiaries, Jinan Dali, was in breach of the Law on Prevention and Treatment of Air Pollution of the PRC (《中華人民共和國大氣污染防治法》), the Law on the Prevention and Treatment of Water Pollution of the PRC (《中華人民共和國水污染防治法》) and was subject to fines during Track Record Period in the total amount of approximately RMB236,914 (which have been fully paid) as the waste water and waste air released by it exceeded the permitted level. Such incidents were primarily due to the obsolescence of equipment. Based on the interview with the Jiyang Environmental Protection Bureau (濟陽縣環境保護局) on May 6, 2015, our PRC Legal Advisors advised that the non-compliance incidents will not have a material adverse impact on us.

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In addition, during the Track Record Period, certain of our subsidiaries failed to complete the Environmental Protection Acceptance Procedures (環保驗收手續) and/or obtain the Pollutants Emission Permit (污染物排放許可證). As of the Latest Practicable Date, all these subsidiaries had obtained the relevant permits or approvals from the environmental authorities and/or completed the Environmental Protection Acceptance Procedures. They have also obtained written confirmation letters from the relevant environmental authorities confirming that no administrative penalty will be imposed on these subsidiaries. According to our PRC Legal Advisors, the likelihood of administrative penalties being imposed on these subsidiaries is remote. Our PRC Legal Advisors confirmed that all of the local environmental authorities are competent authorities to issue the above-mentioned confirmation letters.

We have taken the following measures to improve our internal control system:

- we have amended our Construction Management Procedures (《工程管理制度》) setting out all the relevant licenses and permits required for construction projects, including environmental protection permits;
- we have implemented a Governmental Examination and Approval List for Industrial Project Constructions (《工業項目建設政府審批辦理跟蹤表》) stipulating the time frame for obtaining each required licenses and permits;
- we have assigned our finance department the responsibility to maintain a Certificates Registration List (《證件登記一覽表》), (together with the Construction Management Procedures and the Governmental Examination and Approval List for Industrial Project Constructions, the “Internal Control Policy Documentation”), which records the names of certificates, issuing authorities, validity and time for annual inspection, and to set up reminders for the relevant application or renewal of relevant certificates, which includes environmental protection certificates; and
- we have updated our legal manuals to reflect the latest relevant laws and regulations, including those on environmental protection and licensing procedures and government policies, and set out clear internal policies and procedures on legal training to our management and personnel, communication with government authorities and monitoring for legal compliance.

Our Directors confirmed that all of the above-mentioned enhanced internal control measures have been duly implemented, and based on the findings of, the recommendations made by, and the review of the policy and documents relating to such enhanced internal control measures, by our internal control consultant, no material deficiencies were noted.

Our Directors are of the view that the non-compliance incidents are not of a serious nature, and were primarily due to change of licensing procedures, delay in obtaining permit caused by change of government policies or change of company name and internal equipment upgrading. Our PRC Legal Advisors have provided training on the relevant laws and regulations to our local management team. Furthermore, our Hong Kong legal advisors provided training sessions to our Directors and senior management on the duties and responsibilities of directors and officers of a listed company in Hong

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Kong. Based on the aforementioned, our Directors are of the view that we have taken sufficient reasonable steps to rectify and improve our internal control system, which is adequate and effective in significantly reducing the risk of future non-compliance with the relevant legal and regulatory requirements, that each of our Directors has the character, experience, and integrity and the level of competence required of a director under Rules 3.08 and 3.09 of the Listing Rules and that our Company and business are suitable for listing under Rule 8.04 of the Listing Rules. Furthermore, nothing has come to the attention of the Joint Sponsors that would cause them to cast doubt on our Directors' views above, particularly taking into account that during the due diligence process, the Joint Sponsors have considered i) the reasons for and nature of the non-compliance incidents, the occurrence of which was neither due to the dishonesty, gross negligence or recklessness of the Directors nor for illegitimate purposes; ii) assessments and measures taken by our Directors and senior management to improve our internal control system; and iii) our access to external professional advice from our compliance advisor and legal advisors, on laws and regulations in the PRC and Hong Kong. The Joint Sponsors also undertook a) an independent assessment of our internal control system and procedures and the Internal Control Policy Documentation and the aforesaid updated legal manuals and internal policies and procedures followed by multiple consultation sessions with the internal control consultant regarding the same; b) a review of the aforesaid written confirmation letters by the relevant competent PRC government authorities and the interview responses by the relevant environmental authorities regarding Environmental Protection Acceptance Procedures and Pollutants Emission Permits; and c) a review of the PRC legal opinions and consultation with our PRC Legal Advisors on the nature and remoteness of penalties in respect of the non-compliance incidents.

We confirm that during the Track Record Period and as of the Latest Practicable Date, we were not involved in any litigation proceeding or arbitration against us or any of our Directors that could have a material adverse effect on our business operations. Furthermore, there is no pending or foreseeable litigation proceeding or arbitration against us or any of our Directors that can cause material adverse effect on our business operations.

RISK MANAGEMENT

With the growth and expansion of our operations, the potential risks to our business increase as well. In order to identify, assess and control the risks that may create impediments to our success, we have implemented a risk management system that covers each material aspect of our operations, including financial security, production, logistics, technology and compliance. As our risk management is a systematic project, each of our departments is responsible for identifying and evaluating the risks relating to its area of operations. Our audit committee is responsible for overseeing and accessing our risk management policy and they supervise the performance of our risk management system.

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For the purpose of achieving the maximum security at the lowest costs, we have adopted an advanced risk management system, which includes four steps:

- *Identification:* We identify existing and emerging risks and categorize them according to the nature of the risks.
- *Assessment:* Based on the identification and categorization of our risks, we make reference to previous experience to analyze and assess the likelihood and loss degree of the potential risks.
- *Mitigation:* We mitigate potential impacts of risks primarily through two methods: (1) we make efforts to change the conditions of the risks to reduce frequency of loss and loss degree of the risks themselves, such as setting higher safety standards; (2) we make certain financial arrangements to neutralize the effect and damage of the risks, such as purchasing insurance policies.
- *Evaluation:* we evaluate the costs and effect of our mitigation measures to assess the effectiveness and efficiency of our risk management system. If the evaluation identifies certain weakness of the system, we will report to our Board of Directors through the audit committee.

LICENSES AND PERMITS

Our PRC Legal Advisors have confirmed that, other than as disclosed in this prospectus, we have complied in all material aspects with all relevant PRC laws and regulations regarding our operations, and obtained all necessary licenses and permits for our business in China as required by PRC laws; our licenses and permits were valid as of the Latest Practicable Date. Our legal and compliance department is responsible for monitoring the validity status of our licenses and permits and make timely applications for renewal to relevant government authorities. Our material permits and licenses in China include The Production License for Industrial Products (工業產品生產許可證), Certificate of Health Food (保健食品批准證書) and Production License for Health Foods (保健食品生產許可證). For further information about the laws and regulations we are subject to in China, please see the section headed “Regulatory Overview” in this prospectus.

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You should read the following discussion and analysis in conjunction with our consolidated financial information included in “Appendix I—Accountants’ Report” and “Appendix II—Unaudited Pro Forma Financial Information,” in each case together with the accompanying notes. The Accountants’ Report has been prepared by Ernst & Young, Certified Public Accountants, Hong Kong in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by Hong Kong Institute of Certified Public Accountants and accounting principles generally accepted in Hong Kong.

This discussion contains forward-looking statements that reflect our current view with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as factors that we believe are appropriate under the circumstances. However, our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under “Risk Factors” and elsewhere in this prospectus.

OVERVIEW

We are a leading branded snack food and beverage company in China with a diversified multi-brand product portfolio focusing on high-growth product categories. Our ability to successfully launch new products on a continuous basis is the key to our industry-leading position. For the years ended December 31, 2012, 2013 and 2014, our sales of New Products contributed 54.6%, 25.6% and 33.5%, respectively, of our total revenue. Benefiting from our strong product innovation capabilities, an extensive nationwide sales and distribution network that penetrates deeply throughout the China market, strategically located nationwide production facilities, well-known food and beverage brands and an experienced and efficient management team, we have created prominent and diversified portfolios of products and brands. We have six Core Product Categories of bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based dairy beverage; and energy drinks. Each of these product categories reached retail sales value over RMB1.5 billion in the year ended December 31, 2014, and holds a leading market position in its product category, according to Frost & Sullivan. Our five core brands of Daliyuan, Copico, Haochidian, Heqizheng and Hi-Tiger are well recognized by consumers.

Leveraging our strong capabilities in product innovation, development and commercialization, we expect to launch five to ten new products in 2015 and 2016, continuously enhancing our product portfolio to keep driving our sales growth. As of the Latest Practicable Date, we had 16 food products and six beverage products in our research and development pipeline.

We have built an extensive nationwide sales and distribution network through our distributors and key accounts. This network penetrates a wide range of points-of-sale, enabling us to sell products at all levels of the market, from provinces to counties, villages and towns throughout China. As of June 30, 2015, we had 3,951 distributors and a sales network covering all provinces and cities and most of the county-level divisions in China. We have increased our focus on China’s fast-growing modern retail channel in recent years with more sales efforts such as marketing campaigns.

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As of the Latest Practicable Date, we had 16 strategically located production bases with 32 food- and beverage-related production facilities throughout China, which enable us to manufacture all of our products in-house and efficiently adjust our production in accordance with changes in local markets. Moreover, this also allows us to maintain a logistic cost advantage and to rapidly replenish our products.

Our revenue increased by 18.6% to RMB12,827.0 million in 2013 compared to 2012, by 16.1% to RMB14,894.0 million in 2014 compared to 2013, and by 15.1% to RMB8,504.5 million in the six months ended June 30, 2015 compared to the same period of 2014. Our net profit increased by 71.9% to RMB1,190.8 million in 2013 compared to 2012, by 74.4% to RMB2,076.7 million in 2014 compared to 2013, and by 46.6% to RMB1,517.1 million in the six months ended June 30, 2015 compared to the same period of 2014. The growth rate of our net profit from 2012 to 2014 may not be sustained in 2015 or in the future, given our relatively large net profit in 2014 and due to other factors, risks and uncertainties, including uncertainty regarding our ability to continue introducing new popular products and uncertainty regarding our ability to continue strengthening our penetration in traditional trade, modern retail and other sales channels.

BASIS OF PRESENTATION

Pursuant to discussions in the section headed “History, Development and Reorganization” of this prospectus:

- during the Track Record Period and before the Reorganization, the Controlling Shareholders transferred their respective equity interests in certain operating subsidiaries to Fujian Dali (the “Share Transfer”). Upon completion of the Share Transfer, Fujian Dali held the entire equity interests of these operating subsidiaries; and
- upon completion of the Reorganization, the Company became the holding company of the companies now comprising the Group and a subsidiary of the Company undertook the business previously operated under Fujian Dali (the “Transferred Business”).

Fujian Dali, the Transferred Business and companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Share Transfer and the Reorganization. Accordingly, our financial information in “Appendix I—Accountants’ Report” to this prospectus has been prepared on a consolidated basis by applying the principles of merger accounting as if the Share Transfer and the Reorganization had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 include the results and cash flows of all companies now comprising our Group, from the earliest date presented or, where it is a shorter period, since the date when the subsidiaries first came under the common control of the Controlling Shareholders. The consolidated statements of financial position of our Group as at December 31, 2012,

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2013 and 2014 and June 30, 2015 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders' perspective. No adjustments have been made to reflect fair values or to recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Consumer Demand for Our Products in China

Our results of operations are affected by consumer demand for our food and beverage products in China, which in turn depends in large part on the growth of China's economy and Chinese residents' disposable income. The growth of China's economy and Chinese residents' disposable income contributed significantly to the increase in our sales volume and revenue during the Track Record Period. In 2012, 2013 and 2014, China's GDP grew at a rate of 7.7%, 7.7% and 7.4%, respectively. In these same respective periods, according to China's National Bureau of Statistics, Chinese urban households' per capita disposable income increased at a rate of 12.6%, 9.7% and 7.0%, and Chinese rural households' per capita disposable income increased at a rate of 13.5%, 12.4% and 11.2%. We expect China's GDP and Chinese residents' per capita disposable income to continue to increase in the foreseeable future. We believe that consumer demand for our products is also driven by the growth of the market segments in which we operate. According to Frost & Sullivan, the retail sales value of China's snack food market grew at a CAGR of 12.1% from 2012 to 2014, and it is expected to grow at a CAGR of 11.5% from 2014 to 2019. In addition, according to Frost & Sullivan, the retail sales value of China's non-alcoholic beverage market grew at a CAGR of 9.7% from 2012 to 2014, and it is expected to grow at a CAGR of 12.1% from 2014 to 2019.

We believe that our product quality and brand recognition have significantly contributed to consumers' demand for our products. We have implemented stringent quality control procedures for our products, in line with the increasing importance that Chinese consumers place on food safety. Please see the section headed "Business—Quality Control and Food Safety" in this prospectus for further information. Our relentless efforts in pursuit of premium product quality and high-standard food safety have translated into the confidence and trust that consumers place in our brands. Our five core brands of Daliyuan, Copico, Haochidian, Heqizheng and Hi-Tiger have all enjoyed strong recognition among Chinese consumers. In addition, our extensive distribution network has provided consumers with easy and convenient access to our products. As of June 30, 2015, our sales network covered all of the provinces and cities and most of the county-level divisions in China. We have also used various media platforms and on-site and other marketing campaigns to promote our brands and products.

Product Mix

Our revenue and profit margins are substantially affected by the mix of products we sell. As of June 30, 2015, we offered 742 SKUs of food products and 109 SKUs of beverage products, and within these two segments we have seven product categories: bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based and milk beverages; energy drinks; and other beverages.

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Different SKUs, whether within the same segment or product category, typically vary in product pricing and marketing strategies, raw materials, packaging formats and production costs, and thus have different gross profit margins. We market our different products under multiple brands. We believe that our multi-brand strategy and diversified product portfolio enable us to capitalize on changes in market conditions and consumer demand in a timely manner. Our diverse food and beverage product offerings provide us with the flexibility to sell different products in different sales channels to better compete with our peers.

Our gross profit margin increased significantly during the Track Record Period, being 16.5%, 20.2%, 26.8% and 33.4% in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. These increases were partly due to increasing percentages of our sales derived from products with relatively high gross profit margins, including newly introduced products such as croissants, French fries, Danish butter cookies, pork floss pies and nut pies. In addition, during the Track Record Period our energy drinks; chips, fries and others; and herbal tea product categories had relatively higher gross profit margins. Our food products packaged in boxes and bags usually also have higher gross profit margins than food products in loose packaging.

Introduction of New Products

The growth of our business depends in large part on our ability to continuously introduce new products that are well-received by consumers. The increase in our gross profit margins also depends on our ability to introduce and market higher-margin products. Among the products that we sold in 2012, 2013 and 2014, 27 of them were New Products, of which 18 were food products and nine were beverage products. For example, in 2010 we introduced soft French bread and peanut milk; in 2012 we introduced European cakes; in 2013 we introduced energy drinks and various Haochidian biscuits; and in 2014 we introduced croissants, Danish butter cookies, French fries and large-can herbal tea. In 2012, 2013 and 2014, our revenue from sales of the New Products was RMB5,906.4 million, RMB3,282.2 million and RMB4,982.6 million, respectively, representing 54.6%, 25.6% and 33.5% of our total revenue in the relevant periods. In 2012, 2013, 2014 and the six months ended June 30, 2015, our research and development costs, which were largely for developing new products, were RMB41.8 million, RMB43.1 million, RMB45.1 million and RMB24.3 million, respectively.

We plan to continue to introduce more snack food and beverage products with various flavors and packaging targeting different demographic groups to meet changing trends in the market and evolving consumer preferences. For example, in 2015, we have introduced pork floss pies, nut pies, caramel cookies, children's biscuits and a new bottled water product. As of the Latest Practicable Date, we had 16 food products and six beverage products in our research and development pipeline.

Sales and Distribution Network

As of June 30, 2015, our products were sold to consumers in all of the provinces and cities and most of the county-level divisions in China. Our extensive nationwide sales and distribution network deeply penetrates the Chinese market from urban downtown areas of large cities to counties, townships and villages. Our distributors typically sell our snack food and non-alcoholic beverage products through four sales channels—traditional trade channel, modern retail channel, specialty channel and e-commerce channel. Our distributors also sell our beverage products through the catering

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channel, which consists of restaurants, hotels, bars and pubs. In addition, we sell our products directly to key accounts, primarily operators of hypermarkets, supermarkets and convenience stores such as Yonghui and CR Vanguard, which mainly fall under the modern retail channel. We also sell our products through the e-commerce channel. Our sales to distributors contributed 98.9%, 98.0%, 97.3% and 96.3% of our total revenue in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. Our direct sales to key accounts contributed 1.0%, 1.9%, 2.6% and 3.5% of our total revenue in these same respective periods. The increases in our revenue during the Track Record Period were due in part to the expansion and the improved performance of our sales and distribution network.

As of January 1, 2012, December 31, 2012, 2013 and 2014, and June 30, 2015, we had 3,467, 3,587, 3,706, 3,715 and 3,951 distributors, respectively. We have selectively increased the number of our distributors in certain geographic areas to enhance our geographic coverage. Our average revenue from sales to each distributor increased significantly during the Track Record Period, partly due to our expanded product offerings, our continued marketing campaigns, our enhanced distributor management, and the fast growth of our sales channels.

We began developing key accounts in 2012 and as of December 31, 2012, 2013 and 2014, and June 30, 2015, we had 9, 20, 26 and 34 key accounts, respectively. Our revenue from sales to our key accounts increased significantly during the Track Record Period, partly due to our expanded product offerings and the increasing variety of our products sold directly to our key accounts, our continued marketing campaigns and the increased number of points-of-sale operated by our key accounts to sell our products. Going forward, we expect to achieve a higher percentage in revenue contribution from our direct sales to key accounts as we continue to strengthen cooperation with our key account customers, including by increasing the variety of products that we sell to them, and as we develop new key accounts.

To capitalize on the significant growth of retail sales in China's e-commerce channel, in April 2014, we began operating flagship stores on major e-commerce websites such as Yihaodian. We also sell our products to major e-commerce operators and online distributors. We expect our penetration through the e-commerce channel to contribute to our sales growth and to have synergies with our other sales and distribution network by enhancing our brand recognition. We also began exporting our products from the second quarter of 2015.

We plan to continue to expand our sales and distribution network to support the growth of our business and strengthen our market-leading positions.

Costs of Raw Materials and Packaging Materials

We offer a wide variety of products in our food and beverage segments, covering seven product categories: bread, cakes and pastries; chips, fries and others; biscuits; herbal tea; plant-based and milk beverages; energy drinks; and other beverages. Different products, especially those from different segments, usually use different combinations of raw materials and packaging materials. The primary raw materials for our food products include eggs, flour, sugar and palm oil, while the primary raw materials for our beverage products include sugar, powdered milk, mesona and peanuts. The main packaging materials that we purchase from third parties include polyester chips, cardboard boxes, cans and aseptic pack cartons. Our costs of raw materials used in the production of our products accounted

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for 52.6%, 52.3%, 50.4% and 51.1% of our total cost of sales in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. Our costs of packaging materials used in the production of our products accounted for 28.6%, 28.9%, 29.2% and 28.3% of our total cost of sales in these same respective periods.

Most of our primary raw materials, such as sugar, flour and palm oil, are commodities. Their prices generally fluctuate according to market conditions. The prices of our other raw materials and our packaging materials generally fluctuate as a result of various factors, including supply and demand, our bargaining power with the suppliers, logistics and processing costs, and government regulations and policies. We have not entered into any hedging activities in relation to commodity prices. However, we have sought to mitigate the impact of our raw materials and packaging materials' price fluctuations by making purchases when we believe prices are low. Please see the section headed "Business—Raw Materials, Packaging Materials and Suppliers" in this prospectus for further information on our cost control measures. As our business scale increases, our bargaining power has also increased, which contributed in part to decreases in our purchase prices for certain raw materials and packaging materials. In addition, we produce a majority of the potato powder we use in the production of our potato-based products through our production facility at Gansu Dali, and manufacture substantially all of our packaging bags and a majority of our labels through our production facility in Fujian Province. We believe that these practices and capabilities help to reduce our costs of raw materials and packaging materials. We also believe that our diversified product portfolio has reduced the impact of raw materials and packaging materials' price fluctuations on our business and results of operations. However, we cannot guarantee that we will be able to control our costs of raw materials and packaging materials or to pass our increased costs onto our distributors, key accounts or consumers. Please see the section headed "Risk Factors—Risks Relating to Our Business—Inadequate or interrupted supply and price fluctuation for our raw materials and packaging materials could adversely affect our profitability" in this prospectus for further information.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Our significant accounting policies, judgments and estimates that are important for you to understand our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to "Appendix I—Accountants' Report" to this prospectus. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgments relating to accounting items. In each case, the determination of these items requires management judgments based on information and financial data that may change in future periods. When reviewing our financial statements, you should consider (i) our selection of critical accounting policies; (ii) the judgments and other uncertainties affecting the application of such policies; and (iii) the sensitivity of reported results to changes in conditions and assumptions. We set forth below those accounting policies that we believe involve the most significant estimates and judgments used in preparing of our financial statements.

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Revenue recognition

We recognize revenue when it is probable that the economic benefits will flow to us and when the revenue can be measured reliably, on the following bases:

- from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that we maintain neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold; and
- interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Property, Plant and Equipment and Depreciation

We state our property, plant and equipment, other than construction in progress, at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

We normally charge expenditures incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, to profit or loss in the period in which the expenditure is incurred. In situations where the recognition criteria are satisfied, we capitalize the expenditure for a major inspection in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize these parts as individual assets with specific useful lives and depreciates them accordingly.

We calculate depreciation on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates we use for this purpose are as follows:

Buildings	4.75%
Motor vehicles	19.00%-23.75%
Plant and machinery	9.50%-19.00%
Other equipment	9.50%-31.67%

Where parts of an item of property, plant and equipment have different useful lives, we allocate the cost of that item on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

We derecognize an item of property, plant and equipment, including any significant part initially recognized, upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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Construction in progress represents a building or plant and machinery under construction, which we state at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Useful lives of property, plant and equipment

We determine the estimated useful lives and the related depreciation charge for the our property, plant and equipment. Our estimates are based on our historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. We increase the depreciation charge where useful lives are less than previously estimated lives, or write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

Inventories

We state our inventories at the lower of cost and net realizable value. We determine cost on the weighted average method and, in the case of work in progress and finished goods, it comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Provision for slow-moving inventories and net realizable value of inventories

We review the aging analysis of our inventories at the end of each reporting period, and make a provision for slow-moving inventory items. We estimate the net realizable value for our inventories based primarily on the latest invoice prices and current market conditions. We write-down inventories to net realizable value based on the estimated net realizable value of our inventories. Our assessments of the write-down amount requires our estimates and judgment. Where the actual outcome or expectation in the future is different from the original estimate, these differences impact the carrying value of inventories and write-down/write-back of inventories in the period in which such estimate has been changed.

Impairment of trade receivables

Our provision policy for impairment of our receivables is based on on-going assessment of the recoverability and the aging analysis of the outstanding receivables and on our judgment. A considerable amount of judgment is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, we might be required to make additional allowances.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

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We measure current tax assets and liabilities at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which we operate.

We provide for deferred tax, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

We recognize deferred tax liabilities for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

We recognize deferred tax assets for all deductible temporary differences, carry-forwards of unused tax credits and any unused tax losses. We recognized deferred tax assets to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, we can utilize the carry-forward of unused tax credits and unused tax losses, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

We review the carrying amount of deferred tax assets at the end of each reporting period and reduce these amounts to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. We reassess unrecognized deferred tax assets at the end of each reporting period and we recognize them to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

We measure deferred tax assets and liabilities at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

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We offset deferred tax assets and deferred tax liabilities if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax assets

We recognize deferred tax assets relating to certain temporary differences when we consider it probable that future taxable profit will be available against which the temporary tax differences or tax losses can be utilized. Where our expectations are different from our original estimates, these differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets carried in the consolidated statements of financial position as at December 31, 2012, 2013 and 2014 and June 30, 2015 were RMB31.5 million, RMB40.3 million, RMB47.6 million and RMB28.1 million, respectively, details of which are set out in Note 26 to “Appendix I—Accountants’ Report” to this prospectus.

Government grants

We recognize government grants at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, we recognize it as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, we credit the fair value to a deferred income account and release this amount to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual installments or it is deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

DESCRIPTION OF SELECTED INCOME STATEMENT LINE ITEMS

The following discussion summarizes components of selected income statement line items appearing in “Appendix I—Accountants’ Report” to this prospectus that we believe may be helpful in understanding the period-to-period discussions that follow.

Revenue

We generated our revenue from sales of food and beverage products during the Track Record Period. Our revenue represents the net invoiced value of goods sold, after allowances for rebates and trade discounts, during the relevant periods.

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The following table sets forth our revenue by segment and product category for the periods indicated:

Revenue	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million) (unaudited)	% of total revenue	RMB (million)	% of total revenue
Food										
Bread, Cakes and Pastries	4,216	39.0	5,000	39.0	5,726	38.4	2,748	37.2	3,003	35.3
Chips, Fries and Others	1,115	10.3	1,267	9.9	1,512	10.2	674	9.1	931	11.0
Biscuits	988	9.1	1,148	8.9	1,257	8.4	559	7.6	700	8.2
Segment Total .	<u>6,319</u>	<u>58.4</u>	<u>7,415</u>	<u>57.8</u>	<u>8,495</u>	<u>57.0</u>	<u>3,981</u>	<u>53.9</u>	<u>4,634</u>	<u>54.5</u>
Beverage										
Herbal Tea.....	2,046	18.9	2,119	16.5	2,372	15.9	1,349	18.3	1,448	17.0
Plant-based and Milk Beverages.....	1,240	11.5	1,691	13.2	1,816	12.2	857	11.6	1,032	12.1
Energy Drinks	—	—	394	3.1	794	5.3	490	6.6	637	7.5
Other Beverages ..	<u>1,207</u>	<u>11.2</u>	<u>1,208</u>	<u>9.4</u>	<u>1,417</u>	<u>9.6</u>	<u>711</u>	<u>9.6</u>	<u>754</u>	<u>8.9</u>
Segment Total .	<u>4,493</u>	<u>41.6</u>	<u>5,412</u>	<u>42.2</u>	<u>6,399</u>	<u>43.0</u>	<u>3,407</u>	<u>46.1</u>	<u>3,871</u>	<u>45.5</u>
Total	<u><u>10,812</u></u>	<u><u>100.0</u></u>	<u><u>12,827</u></u>	<u><u>100.0</u></u>	<u><u>14,894</u></u>	<u><u>100.0</u></u>	<u><u>7,388</u></u>	<u><u>100.0</u></u>	<u><u>8,504</u></u>	<u><u>100.0</u></u>

Our revenue increased by 18.6% in 2013 compared to 2012, by 16.1% in 2014 compared to 2013, and by 15.1% in the six months ended June 30, 2015 compared to the same period of the prior year. Sales of food products contributed 58.4%, 57.8%, 57.0% and 54.5% of our total revenue in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. Our revenue from sales of food products increased by 17.3% in 2013 compared to 2012, by 14.6% in 2014 compared to 2013, and by 16.4% in the six months ended June 30, 2015 compared to the same period of the prior year. Our revenue from sales of beverage products increased by 20.5% in 2013 compared to 2012, by 18.2% in 2014 compared to 2013, and by 13.6% in the six months ended June 30, 2015 compared to the same period of the prior year.

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The following table sets forth our sales volume by segment and product category for the periods indicated:

Sales Volume	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	Tons	Tons	Tons	Tons	Tons
Food					
Bread, Cakes and Pastries	297,094	356,740	374,212	180,162	193,946
Chips, Fries and Others	36,639	41,013	45,118	20,082	27,404
Biscuits	74,468	85,765	89,300	40,473	42,945
Segment Total	<u>408,201</u>	<u>483,518</u>	<u>508,629</u>	<u>240,718</u>	<u>264,295</u>
Beverage					
Herbal Tea	627,889	643,102	667,482	379,266	405,515
Plant-based and Milk Beverages	293,734	393,778	415,778	198,409	238,255
Energy Drinks	-	63,517	131,285	81,915	103,856
Other Beverages	436,631	410,295	419,859	226,153	236,762
Segment Total	<u>1,358,254</u>	<u>1,510,692</u>	<u>1,634,404</u>	<u>885,743</u>	<u>984,388</u>
Total	<u>1,766,455</u>	<u>1,994,209</u>	<u>2,143,033</u>	<u>1,126,461</u>	<u>1,248,683</u>

The sales volume of our food products increased by 18.5% in 2013 compared to 2012, by 5.2% in 2014 compared to 2013, and by 9.8% in the six months ended June 30, 2015 compared to the same period of the prior year. These increases were primarily due to (i) the ramp-up of our sales of new products introduced before 2012, our sales of European cakes, which we introduced in 2012, new Haochidian biscuit products, which we introduced in 2013, croissants, French fries and Danish butter cookies, which we introduced in 2014, and pork floss pies, nut pies, caramel cookies and children's biscuits, which we introduced in the six months ended June 30, 2015, and products in new flavors and packaging formats that we introduced to appeal to different demographic groups of consumers, and (ii) our continued marketing campaigns. Our food products' sales volume growth in 2014 and the six months ended June 30, 2015 was also due to the expansion of our sales team to improve our penetration through the modern retail, catering and specialty channels and to improve our distributor management.

The sales volume of our beverage products increased by 11.2% in 2013 compared to 2012, by 8.2% in 2014 compared to 2013, and by 11.1% in the six months ended June 30, 2015 compared to the same period of the prior year. These increases were primarily due to (i) the ramp-up of our sales of new products introduced before 2012 and our sales of aseptic pack peanut milk, which we introduced in 2012, energy drinks, which we introduced in 2013, and large-can herbal tea, which we introduced in 2014, and (ii) our continued marketing campaigns. Our beverage products' sales volume growth in 2014 and the six months ended June 30, 2015 was also due to the expansion of our sales team to improve our penetration through the modern retail, catering and specialty channels and to improve our distributor management.

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The following table sets forth our average selling price per ton by segment and product category for the periods indicated:

Average Selling Price	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB/ton	RMB/ton	RMB/ton	RMB/ton	RMB/ton
Food					
Bread, Cakes and Pastries	14,192	14,014	15,302	15,253	15,485
Chips, Fries and Others	30,425	30,900	33,522	33,578	33,949
Biscuits	13,265	13,382	14,074	13,806	16,305
Food Segment (all products).....	15,480	15,335	16,703	16,538	17,532
Beverage					
Herbal Tea	3,259	3,296	3,553	3,558	3,572
Plant-based and Milk Beverages	4,222	4,294	4,369	4,321	4,329
Energy Drinks	—	6,202	6,042	5,974	6,137
Other Beverages	2,763	2,945	3,376	3,144	3,183
Beverage Segment (all products).....	3,308	3,583	3,915	3,847	3,932
Total	6,121	6,432	6,950	6,559	6,811

Our average selling prices represent the volume-weighted average of prices of the products we sold to our distributors, key accounts, and consumers through other channels, primarily the e-commerce channel. We price our various products based on a combination of factors, including demand for and supply of our products, anticipated market trends, costs of raw materials and packaging materials, production costs, product categories, retail prices of our competitors' products, spending patterns of target consumers, historical sales data and expected profit margins for our distributors, key accounts and us. We review and adjust our product prices periodically based on these factors and other general market conditions. We set the prices we offer to our distributors based on factors such as our marketing strategies and the types of products they are purchasing from us. We normally offer products to our key accounts at prices that are higher than the prices we offer to our distributors. We also offer our key accounts discounts for relatively large purchases from us and, if they meet certain sales targets, we provide rebates to them.

The average selling price of our food products decreased slightly from 2012 to 2013, primarily because we had higher sales of food products in loose packaging and sold our food products at favorable prices as part of our marketing strategies to expand our market shares. The average selling price of our food products increased by 8.9% in 2014 compared with the prior year, primarily due to (i) improvements in our product mix, as we sold higher-priced new products such as croissants, French fries and Danish butter cookies, which we introduced in 2014, and had higher sales of potato chips as well as food products in boxes and bags as opposed to those in loose packaging, and (ii) the higher overall prices at which we sold our food products. The average selling price of our food products increased by 6.0% in the six months ended June 30, 2015 compared with the same period of the prior year, primarily due to improvements in our product mix, as we had higher sales of potato chips (including potato chips in higher-margin packaging), Danish butter cookies, croissants, French fries, pork floss pies and nut pies.

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The average selling price of our beverage products increased by 8.3% in 2013 compared to 2012, by 9.3% in 2014 compared to 2013, and by 2.2% in the six months ended June 30, 2015 compared to the same period of the prior year. These increases were primarily due to improvements in our product mix, as we sold higher-priced new products such as energy drinks, which we introduced in 2013, and had higher sales of peanut milk.

The average selling price of our products increased in the six months ended June 30, 2015 compared with the same period of 2014 in part because of the higher overall prices at which we sold our products, as we adjusted our pricing and marketing strategies in late 2014.

The table below sets forth our revenue by sales channel for the periods indicated:

Channel	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million)	% of total revenue	RMB (million) (unaudited)	% of total revenue	RMB (million)	% of total revenue
Distributors	10,690	98.9	12,575	98.0	14,487	97.3	7,194	97.4	8,186	96.3
Key Accounts ⁽¹⁾ ...	107	1.0	245	1.9	388	2.6	191	2.6	298	3.5
E-commerce and Others ⁽²⁾	16	0.1	7	0.1	19	0.1	3	0.0	20	0.2
Total	<u>10,812</u>	<u>100.0</u>	<u>12,827</u>	<u>100.0</u>	<u>14,894</u>	<u>100.0</u>	<u>7,388</u>	<u>100.0</u>	<u>8,504</u>	<u>100.0</u>

Note:

- (1) Primarily includes operators of hypermarkets, supermarkets and convenience stores that we sell our products directly to.
- (2) Primarily includes e-commerce. This also includes our revenue from exports of our products beginning from the second quarter of 2015.

During the Track Record Period, our revenue growth was primarily due to our higher revenue from sales to distributors, and to a lesser extent, the growth of our revenue from direct sales to our key accounts, which was increasing from a low base. Our revenue from sales to distributors increased by 17.6% in 2013 compared to 2012, by 15.2% in 2014 compared to 2013, and by 13.8% in the six months ended June 30, 2015 compared to the same period of the prior year, primarily due to our expanded product offerings, our continued marketing campaigns, our enhanced distributor management, the fast growth of our sales channels, and the increase in the number of our distributors. Our revenue from sales to key accounts increased significantly in 2013 compared to 2012, by 58.4% in 2014 compared to 2013, and by 56.0% in the six months ended June 30, 2015 compared to the same period of the prior year, primarily due to our expanded product offerings and the increasing variety of our products sold directly to our key accounts, our continued marketing campaigns and the increased numbers of key accounts and the points-of-sale operated by them to sell our products.

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Cost of Sales

Our cost of sales primarily comprises costs of raw materials, costs of packaging materials, manufacturing costs such as depreciation, amortization and utilities, wages and salaries, and tax surcharges.

The following table sets forth our cost of sales by category for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB ('000)	%	RMB ('000)	%	RMB ('000)	%	RMB ('000) (unaudited)	%	RMB ('000)	%
Raw materials.....	4,747,311	52.6	5,359,703	52.3	5,498,492	50.4	2,764,307	50.7	2,891,817	51.1
Sugar	1,126,263	12.5	1,105,989	10.8	1,019,236	9.4	550,448	10.1	676,519	12.0
Eggs	604,191	6.7	721,822	7.0	863,810	7.9	382,645	7.0	390,805	6.9
Flour	486,111	5.4	597,339	5.8	666,023	6.1	311,437	5.7	350,750	6.2
Palm oil	398,517	4.4	301,370	2.9	310,698	2.9	140,914	2.6	169,921	3.0
Others	2,132,229	23.6	2,633,183	25.7	2,638,725	24.2	1,378,863	25.3	1,303,821	23.0
Packaging materials	2,580,977	28.6	2,961,212	28.9	3,179,024	29.2	1,582,566	29.0	1,604,285	28.3
Manufacturing costs	1,052,124	11.7	1,187,495	11.6	1,314,616	12.1	679,741	12.5	685,638	12.1
Wages and salaries.....	594,996	6.6	663,976	6.5	805,049	7.4	380,135	7.0	406,243	7.2
Tax surcharges.....	53,263	0.6	66,765	0.7	97,997	0.9	46,922	0.9	72,864	1.3
Total	9,028,671	100.0	10,239,151	100.0	10,895,178	100.0	5,453,671	100.0	5,660,847	100.0

Our cost of sales increased by 13.4% in 2013 compared to 2012, by 6.4% in 2014 compared to 2013, and by 3.8% in the six months ended June 30, 2015 compared to the same period of the prior year. These increases were primarily due to the increases in our costs of raw materials and packaging materials. Our costs of raw materials increased by 12.9% in 2013 compared to 2012, by 2.6% in 2014 compared to 2013, and by 4.6% in the six months ended June 30, 2015 compared to the same period of 2014. Our costs of packaging materials increased by 14.7% in 2013 compared to 2012, by 7.4% in 2014 compared to 2013, and by 1.4% in the six months ended June 30, 2015 compared to the same period of 2014. The increases in our costs of raw materials and packaging materials during the Track Record Period were primarily driven by increases in the sales volumes of our products. The changes in our costs of raw materials and packaging materials during the Track Record Period were also due to fluctuations in our average purchase prices for certain major raw materials and packaging materials as well as changes in our product mix. In 2013, 2014 and the six months ended June 30, 2015, each compared with the prior period, we experienced decreases in average purchase prices for certain of our major raw materials such as palm oil and one of our major packaging materials, polyester chips, and increases in our average purchase prices for certain other raw materials, primarily flour. Our average purchase price for sugar decreased in 2013 and 2014 but remained relatively stable in the six months ended June 30, 2015, each compared with the prior period. Our average purchase price for eggs

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increased in 2013 and 2014 but decreased in the six months ended June 30, 2015, each compared with the prior period. As a result of these and other fluctuations, our costs of raw materials and packaging materials per ton of our food products sold decreased in 2013 and 2014 and remained relatively stable in the six months ended June 30, 2015, while our costs of raw materials and packaging materials per ton of our beverage products sold increased in 2013 and then decreased in 2014 and the six months ended June 30, 2015, each compared with the prior period.

The following sensitivity analysis illustrates the impact of hypothetical fluctuations in our average unit purchase prices for certain of our major raw materials—sugar, eggs and flour—on our net profit for the periods indicated, assuming all other factors affecting our profitability had remained unchanged.

Average unit purchase price of sugar:

Change in net profit (RMB million)	Increase/decrease by 5%	Increase/decrease by 10%	Increase/decrease by 15%
2012	-/+42.2	-/+84.5	-/+126.7
2013	-/+41.5	-/+82.9	-/+124.4
2014	-/+38.2	-/+76.4	-/+114.7
Six months ended June 30, 2015	-/+27.1	-/+54.3	-/+81.4

Average unit purchase price of eggs:

Change in net profit (RMB million)	Increase/decrease by 5%	Increase/decrease by 10%	Increase/decrease by 15%
2012	-/+22.7	-/+45.3	-/+70.0
2013	-/+27.1	-/+54.1	-/+81.2
2014	-/+32.4	-/+64.8	-/+97.1
Six months ended June 30, 2015	-/+15.7	-/+31.3	-/+47.0

Average unit purchase price of flour:

Change in net profit (RMB million)	Increase/decrease by 2.5%	Increase/decrease by 5.0%	Increase/decrease by 7.5%
2012	-/+9.1	-/+18.2	-/+27.3
2013	-/+11.2	-/+22.4	-/+33.6
2014	-/+12.5	-/+25.0	-/+37.5
Six months ended June 30, 2015	-/+7.0	-/+14.1	-/+21.1

Note: This sensitivity analysis is intended for reference only, and any variation may differ from the amounts indicated. Investors should note in particular that this sensitivity analysis is not intended to be exhaustive and is limited to the impact of changes in our costs of sugar, eggs and flour.

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The increases in our cost of sales during the Track Record Period were also due to the increases in our manufacturing costs, primarily depreciation, amortization and utilities, as we expanded our production capacity and increased our sales volumes. Our manufacturing costs increased by 12.9% in 2013 compared to 2012, and by 10.7% in 2014 compared to 2013. Please see the section headed “Business—Production—Our Production Facilities” in this prospectus for further information on the expansion of our production capacity during the Track Record Period.

The increase in our cost of sales during the Track Record Period was also affected by increases in wages and salaries in line with the expansion of our production capacity. Wages and salaries increased by 11.6% to RMB664.0 million in 2013 compared to 2012 primarily due to an increase in average wages. Wages and salaries increased by 21.2% to RMB805.0 million in 2014 compared to 2013, due to increases in both headcount and average wages. Wages and salaries increased by 6.9% in the six months ended June 30, 2015 compared to the same period of the prior year.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less our cost of sales, and our gross profit margin represents our gross profit divided by our revenue, expressed as a percentage.

The following table sets forth our gross profits, gross profit contribution and gross profit margins by segment for the periods indicated:

	For the year ended December 31,								
	2012			2013			2014		
			Gross profit			Gross profit			Gross profit
	Amount	% of total gross profit	margin	Amount	% of total gross profit	margin	Amount	% of total gross profit	margin
	RMB			RMB			RMB		
	(million)	%	%	(million)	%	%	(million)	%	%
Food products.....	1,041	58.4	16.5	1,478	57.1	19.9	2,258	56.5	26.6
Beverage products	742	41.6	16.5	1,110	42.9	20.5	1,741	43.5	27.2
Total	1,783	100.0	16.5	2,588	100.0	20.2	3,999	100.0	26.8

	For the six months ended June 30,					
	2014			2015		
	Amount	% of total gross profit	Gross profit margin	Amount	% of total gross profit	Gross profit margin
	RMB			RMB		
	(million)	%	%	(million)	%	%
	(unaudited)					
Food products	969	50.1	24.3	1,350	47.5	29.1
Beverage products	965	49.9	28.3	1,494	52.5	38.6
Total	1,934	100.0	26.2	2,844	100.0	33.4

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Our gross profit increased by 45.1% in 2013 compared to 2012, by 54.5% in 2014 compared to 2013, and by 47.0% in the six months ended June 30, 2015 compared to the same period of the prior year. Our gross profit margin in 2012, 2013, 2014 and the six months ended June 30, 2015 was 16.5%, 20.2%, 26.8% and 33.4%, respectively. The gross profit margin of our food products in these same respective periods was 16.5%, 19.9%, 26.6% and 29.1%. The gross profit margin of our beverage products in these same respective periods was 16.5%, 20.5%, 27.2% and 38.6%.

The increases in our gross profit margins during the Track Record Period were primarily due to improvements in our product mix that resulted in higher sales of our products with higher gross profit margins. To achieve this, we launched and rolled out higher-margin new products and increased our sales of higher-margin products through our continued marketing campaigns and strategic allocation of resources. These higher-margin products included new products such as Danish butter cookies, croissants, pork floss pies, nut pies, French fries and energy drinks; existing products such as potato chips and peanut milk; and food products in higher-margin packaging, including our food products packaged in boxes and bags as opposed to those in loose packaging. In 2012, 2013 and 2014, the gross profit margin for our sales of New Products was 21.6%, 28.1% and 34.5%, respectively. In addition, the increases in our gross profit margins were due in part to decreases in our average purchase prices for certain major raw materials, such as sugar (from 2012 to 2014 only) and palm oil, and packaging materials, such as polyester chips. For more information on prices of certain of our major raw materials and packaging materials, see the section headed “Industry Overview—Price of Raw Material.” Our increased business scale has strengthened our bargaining power, which in turn contributed to our lower purchase prices for certain of our raw materials and packaging materials. The increases in our gross profit margins were also affected by changes in the prices at which we sold our products as part of our marketing strategies. For our average selling price per ton of products sold by segment and product category during the Track Record Period, see the paragraphs headed “—Description of Selected Income Statement Line Items—Revenue” in this section.

Beginning from late 2014, we adjusted our pricing and marketing strategies to conduct more marketing campaigns to strengthen our sales channels and increased the average selling prices at which we sell our products to our distributors. With the implementation of these new strategies, our gross profit margin may increase in a given period due to the higher overall prices at which we sell our products, but that may not impact our net profit margin in that period.

Other Income and Gains

Our other income and gains include government grants, income from sales of scrap, bank interest income, interest income from loans to a third party, interest income from a loan to a related party, gain on disposal of items of property, plant and equipment, and others. During the Track Record Period, our government grants mainly included (i) grants that related directly to expense items and recognized when received, and (ii) grants that were received upfront and recognized as deferred revenue, which are recognized as other income and gains over the expected useful life of the relevant assets. These government grants were generally given at the discretion of the relevant government authorities to recognize our contribution to local economies’ development. There is no assurance that similar grants will be made to us in any future period. Please see the section headed “Risk Factors—Risks Relating

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to China—Preferential tax treatment and financial subsidies that we have enjoyed may be changed or terminated” in this prospectus for further information. Our income from sales of scrap primarily came from sales of scrap materials.

Our interest income from loans to a third party was derived from two entrusted loans that we provided to an independent third party through a commercial bank in 2014, each with a principal of RMB200 million. The independent third party repaid both of these loans in the same year. Our interest income from a loan to a related party was derived from an entrusted loan of RMB200 million that we provided to Hubei Dali Estate Co., Ltd., a related party, through a commercial bank in 2014. This loan was distributed to our Controlling Shareholders on December 31, 2014 in connection with our Reorganization. For more information on our distributions to the Controlling Shareholders in connection with the Reorganization, please see Note 32 to “Appendix I—Accountants’ Report” to this prospectus. As advised by our PRC Legal Advisors, these entrusted loans were in compliance with relevant PRC laws and regulations. These loans were not part of our ordinary business, and we do not expect to have similar income in the foreseeable future.

The following table sets forth our other income and gains by category for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) (unaudited)	% of total revenue	RMB ('000)	% of total revenue
Government grants.....	21,056	0.2	27,801	0.2	44,165	0.3	28,321	0.4	102,478	1.2
Income from sales of scrap, net.....	21,713	0.2	31,995	0.2	40,712	0.3	19,293	0.3	19,697	0.2
Bank interest income ...	4,585	0.0	5,854	0.0	10,424	0.1	3,766	0.1	5,470	0.1
Interest income from loans to a third party.....	—	—	—	—	12,320	0.1	—	—	—	—
Interest income from a loan to a related party.....	—	—	—	—	3,355	0.0	—	—	—	—
Foreign exchange differences, net.....	2,857	0.0	847	0.0	344	0.0	—	—	—	—
Gain on disposal of item of property, plant and equipment.....	45	0.0	101	0.0	24	0.0	28	0.0	18	0.0
Others.....	1,324	0.0	591	0.0	2,749	0.0	1,513	0.0	2,204	0.0
Total	51,580	0.5	67,189	0.5	114,093	0.8	52,921	0.7	129,867	1.5

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Selling and Distribution Expenses

In 2012, 2013, 2014 and the six months ended June 30, 2015, our selling and distribution expenses were RMB732.4 million, RMB845.9 million, RMB1,097.6 million and RMB908.1 million, respectively, representing 6.8%, 6.6%, 7.4% and 10.7% of our revenue for these same respective periods.

The following table sets forth our selling and distribution expenses by category for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000)	% of total revenue	RMB ('000) (unaudited)	% of total revenue	RMB ('000)	% of total revenue
Advertising expenses	281,926	2.6	337,038	2.6	323,814	2.2	158,982	2.2	139,795	1.6
Promotion expenses	30,436	0.3	58,495	0.5	159,855	1.1	37,172	0.5	317,672	3.7
Logistics expenses	228,287	2.1	254,056	2.0	332,797	2.2	148,262	2.0	228,998	2.7
Wages and salaries.....	163,507	1.5	167,099	1.3	252,205	1.7	121,868	1.6	197,847	2.3
Others	28,232	0.3	29,249	0.2	28,928	0.2	13,379	0.2	23,765	0.3
Total	732,388	6.8	845,937	6.6	1,097,599	7.4	479,663	6.5	908,076	10.7

Our advertising expenses during the Track Record Period mainly related to engaging celebrities for endorsement purposes, sponsoring events such as sports games and advertising on television channels, Internet, billboards and other print media. Our promotion expenses during the Track Record Period mainly related to our participation in on-site promotions at individual points-of-sale, including promotion expenses for our traditional trade, modern retail, catering and specialty channels. We typically increase advertising and promotion campaigns when we launch new products. Our advertising expenses as a percentage of our total revenue were 2.6%, 2.6%, 2.2% and 1.6% in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. Our relatively lower percentage of advertising expenses in the six months ended June 30, 2015 was primarily because we conducted more on-site promotions rather than advertising. Our promotion expenses as a percentage of our total revenue were 0.3%, 0.5%, 1.1% and 3.7% during these same respective periods. Our relatively higher percentages of promotion expenses in 2014 and the six months ended June 30, 2015 were primarily because beginning from late 2014 we adjusted our pricing and marketing strategies to conduct more marketing campaigns to strengthen our sales channels and increased the average selling prices at which we sold our products to our distributors.

Our logistics expenses as a percentage of our total revenue remained relatively stable at 2.1%, 2.0%, 2.2% and 2.7% in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. Our logistics expenses increased by 54.5% to RMB229.0 million in the six months ended June 30, 2015 compared to the same period of the prior year, primarily because we permitted fewer of our customers to pick up products at our factories to improve our distributor management.

Administrative Expenses

The following table sets forth our administrative expenses by category for the periods indicated:

	For the year ended December 31,						For the six months ended June 30,			
	2012		2013		2014		2014		2015	
	RMB	% of	RMB	% of	RMB	% of	RMB	% of	RMB	% of
	('000)	total	('000)	total	('000)	total	('000)	total	('000)	total
							(unaudited)			
Wages and salaries.....	63,526	0.6	77,969	0.6	88,705	0.6	43,148	0.6	58,231	0.7
Tax expenses.....	24,943	0.2	28,366	0.2	37,277	0.3	15,524	0.2	20,457	0.2
Depreciation	20,412	0.2	24,799	0.2	32,022	0.2	15,518	0.2	17,672	0.2
Listing expenses	—	—	—	—	—	—	—	—	19,143	0.2
Donations	6,069	0.0	19,100	0.1	19,329	0.1	8,100	0.1	—	—
Amortization of prepaid land lease payments	8,919	0.1	10,132	0.1	12,167	0.1	5,476	0.1	5,877	0.1
Utilities and communication expenses	8,634	0.1	11,619	0.1	14,198	0.1	5,432	0.1	5,337	0.1
Subsidiary/branch setup expenses	11,880	0.1	1,792	0.0	3,894	0.0	3,450	0.0	2,176	0.0
Others ⁽¹⁾	35,565	0.4	49,639	0.4	46,199	0.3	33,224	0.5	45,101	0.5
Total	179,948	1.7	223,416	1.7	253,791	1.7	129,872	1.8	173,994	2.0

(1) Includes primarily travelling expenses, miscellaneous office expenses, Internet service fees, product development expenses, pollution disposal fees, insurance premiums, product inspection expenses, professional service fees and amortization of intangible assets.

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Wages and salaries as a percentage of our total revenue were 0.6%, 0.6%, 0.6% and 0.7% in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively.

Depreciation as a percentage of our revenue remained at 0.2% in 2012, 2013, 2014 and the six months ended June 30, 2015.

Income Tax Expense

Our income tax expense includes current and deferred tax expenses. The following table sets forth our income tax expense by category for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)	RMB ('000)
Current tax:					
Income tax in the PRC for the					
year/period	236,750	403,794	694,682	344,109	354,833
Deferred tax	(6,724)	(8,866)	(9,870)	(800)	19,512
Total	<u>230,026</u>	<u>394,928</u>	<u>684,812</u>	<u>343,309</u>	<u>374,345</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, we are not subject to any income tax in the Cayman Islands or the British Virgin Islands.

Our subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the Track Record Period. No provision for Hong Kong profits tax has been made as we had no assessable profits arising in Hong Kong during the Track Record Period.

All of our subsidiaries that are established in China were subject to the statutory income tax rate of 25% in accordance with the EIT Law during the Track Record Period. Our subsidiaries, Chengdu Dali, Yunnan Dali, Gansu Dali and Shaanxi Dali, obtained approvals in January 2015, April 2015, May 2015 and May 2015, respectively, from the relevant Chinese tax authorities for eligibility for a 15% preferential enterprise income tax rate. These preferences were in accordance with the Western China Development Regulations, and were granted for the years from 2014 to 2020 for Chengdu Dali, for the period from October 1, 2014 to December 31, 2020 for Yunnan Dali, for the period from January 1, 2014 to June 30, 2016 for Gansu Dali, and for the year ending December 31, 2015 for Shaanxi Dali. As advised by our PRC Legal Advisors, according to the Western China Development Regulations, Gansu Dali and Shaanxi Dali will continue to enjoy this 15% preferential enterprise income tax rate until the year ending December 31, 2020 subject to approval by the relevant tax authorities. Our effective tax rate was 24.9%, 24.9% and 24.8% in 2012, 2013 and 2014, respectively, and decreased to 19.8% in the six months ended June 30, 2015 primarily due to the preferential tax treatment that our subsidiaries, Chengdu Dali, Yunnan Dali, Gansu Dali and Shaanxi Dali, obtained in the first half of 2015 as discussed above.

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RESULTS OF OPERATIONS

The following table sets forth a summary of our results of operations for the periods indicated. Our historical results presented below are not necessarily indicative of the results that may be expected for any future period.

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)	RMB ('000)
Revenue	10,812,041	12,827,020	14,894,003	7,388,120	8,504,456
Cost of sales	(9,028,671)	(10,239,151)	(10,895,178)	(5,453,671)	(5,660,847)
Gross profit	1,783,370	2,587,869	3,998,825	1,934,449	2,843,609
Other income and gains	51,580	67,189	114,093	52,921	129,867
Selling and distribution expenses ..	(732,388)	(845,937)	(1,097,599)	(479,663)	(908,076)
Administrative expenses.....	(179,948)	(223,416)	(253,791)	(129,872)	(173,994)
Profit before tax	922,614	1,585,705	2,761,528	1,377,835	1,891,406
Income tax expense.....	(230,026)	(394,928)	(684,812)	(343,309)	(374,345)
Profit for the year/period	<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,517,061</u>
Attributable to:					
Owners of the parent	<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,517,061</u>
Other comprehensive income	—	—	—	—	—
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations.....	—	—	—	—	14,803
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	—	—	—	—	14,803
Other comprehensive income for the year/period, net of tax	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,803</u>
Total comprehensive income for the year/period, net of tax	<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,531,864</u>
Attributable to:					
Owners of the parent	<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,531,864</u>
Earnings per share attributable to ordinary equity holders of the parent:					
Basic and diluted.....	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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The Six Months Ended June 30, 2015 Compared with the Six Months Ended June 30, 2014.

	For the six months ended June 30,				
	2014		2015		2015 vs. 2014
	RMB ('000)	% of Revenue	RMB ('000)	% of Revenue	% Change
	(unaudited)				
Revenue	7,388,120	100	8,504,456	100	15.1
Cost of sales	(5,453,671)	(73.8)	(5,660,847)	(66.6)	3.8
Gross profit	1,934,449	26.2	2,843,609	33.4	47.0
Other income and gains	52,921	0.7	129,867	1.5	145.4
Selling and distribution expenses	(479,663)	(6.5)	(908,076)	(10.7)	89.3
Administrative expenses	(129,872)	(1.8)	(173,994)	(2.0)	34.0
Profit before tax	1,377,835	18.6	1,891,406	22.2	37.3
Income tax expense	(343,309)	(4.6)	(374,345)	(4.4)	9.0
Profit for the year/period	<u>1,034,526</u>	<u>14.0</u>	<u>1,517,061</u>	<u>17.8</u>	46.6

Revenue

Our revenue increased by 15.1% from RMB7,388.1 million in the six months ended June 30, 2014 to RMB8,504.5 million in the same period of 2015.

Revenue from sales of our food products increased by 16.4% from RMB3,981.1 million in the six months ended June 30, 2014 to RMB4,633.7 million in the same period of 2015, due to higher revenues from our sales of products within all of our food product categories.

- Revenue from our sales of bread, cakes and pastries products increased by 9.3% from RMB2,748.0 million in the six months ended June 30, 2014 to RMB3,003.2 million in the same period of 2015, primarily due to strong growth in our sales of our existing pie products, which were supported by our marketing efforts in further penetrating the modern retail channel, strong growth in our sales of croissants, which we introduced in the first quarter of 2014, and our introduction of pork floss pies and nut pies.
- Revenue from our sales of chips, fries and others products increased by 38.0% from RMB674.3 million in the six months ended June 30, 2014 to RMB930.3 million in the same period of 2015, primarily due to our increased marketing efforts to promote the sales of potato chips, including introducing new flavors, our efforts to market these products in the fast-growing snack food market, particularly through the modern retail channel, the ramp-up of our sales of French fries, which we introduced in the second half of 2014, and our higher sales of products in higher-margin packaging.
- Revenue from our sales of biscuit products increased by 25.3% from RMB558.8 million in the six months ended June 30, 2014 to RMB700.2 million in the same period of 2015, primarily due to the rising popularity and rapid ramp-up of our sales of Danish butter cookies, which we introduced in the fourth quarter of 2014 and which we successfully marketed following product launch, particularly in the modern retail channel.

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Revenue from sales of our beverage products increased by 13.6% from RMB3,407.1 million in the six months ended June 30, 2014 to RMB3,870.7 million in the same period of 2015, due to the increases in our revenue from sales of products within all of our beverage products categories.

- Revenue from our sales of herbal tea increased by 7.3% from RMB1,349.4 million in the six months ended June 30, 2014 to RMB1,448.4 million in the same period of 2015, primarily because of our marketing efforts to increase the sales of our differentiated PET-bottled herbal tea.
- Revenue from our sales of plant-based and milk beverages increased by 20.3% from RMB857.3 million in the six months ended June 30, 2014 to RMB1,031.4 million in the same period of 2015, primarily due to the robust growth in our sales of peanut milk products in both PET-bottled and aseptic pack formats, as we increased our marketing efforts and expanded our sales team's support to our distributors to improve our penetration through our sales channels.
- Revenue from our sales of energy drinks increased by 30.2% from RMB489.3 million in the six months ended June 30, 2014 to RMB637.3 million in the same period of 2015, primarily due to our continued focus on our flagship PET-bottled energy drinks targeting the traditional trade and modern retail channels, which recorded rapid sales growth.
- Revenue from our sales of other beverages increased by 6.0% from RMB711.0 million in the six months ended June 30, 2014 to RMB753.6 million in the same period of 2015, primarily due to the ongoing growth in sales of our green plum green tea.

Cost of sales

Our cost of sales increased by 3.8% from RMB5,453.7 million in the six months ended June 30, 2014 to RMB5,660.8 million in the same period of 2015. Our cost of sales for food products increased by 9.0% from RMB3,011.8 million in the six months ended June 30, 2014 to RMB3,284.2 million in the same period of 2015. Our cost of sales for beverage products decreased by 2.7% from RMB2,441.9 million in the six months ended June 30, 2014 to RMB2,376.6 million in the same period of 2015. The increase in our total cost of sales primarily included (i) a 4.6% increase in costs of raw materials from RMB2,764.3 million in the six months ended June 30, 2014 to RMB2,891.8 million in the same period of 2015, (ii) a 55.3% increase in tax surcharges from RMB46.9 million in the six months ended June 30, 2014 to RMB72.9 million in the same period of 2015, (iii) a 6.9% increase in wages and salaries from RMB380.1 million in the six months ended June 30, 2014 to RMB406.2 million in the same period of 2015, and (iv) a 1.4% increase in costs of packaging materials from RMB1,582.6 million in the six months ended June 30, 2014 to RMB1,604.3 million in the same period of 2015.

The increase in our cost of sales was primarily as a result of the increased sales volumes of both our food and beverage products. Our cost of sales per ton of food products sold remained relatively stable. Our cost of sales per ton of beverage products sold decreased primarily as a result of decreases in our average purchase prices for certain major raw materials and packaging materials, including polyester chips, eggs, palm oil, powdered milk and mesona, offset in part by increases in our average purchase prices for certain other raw materials, including peanuts.

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Gross profit

Our gross profit increased by 47.0% from RMB1,934.4 million in the six months ended June 30, 2014 to RMB2,843.6 million in the same period of 2015.

Our gross profit from sales of food products increased by 39.2% from RMB969.3 million in the six months ended June 30, 2014 to RMB1,349.5 million in the same period of 2015. Our gross profit margin from sales of food products increased from 24.3% in the six months ended June 30, 2014 to 29.1% in the same period of 2015, primarily due to improvements in our product mix, as we had higher sales contribution from higher-margin products such as potato chips (including potato chips in higher-margin packaging), Danish butter cookies, croissants, pork floss pies, nut pies and French fries.

Our gross profit from sales of beverage products increased by 54.8% from RMB965.2 million in the six months ended June 30, 2014 to RMB1,494.1 million in the same period of 2015. Our gross profit margin from sales of beverage products increased from 28.3% in the six months ended June 30, 2014 to 38.6% in the same period of 2015, primarily due to improvements in our product mix, as we had higher sales contribution from higher-margin products including energy drinks, decreases in our average purchase prices for certain major raw materials and packaging materials, and the higher overall prices at which we sold beverage products.

Other income and gains

Our other income and gains increased significantly from RMB52.9 million in the six months ended June 30, 2014 to RMB129.9 million in the same period of 2015, primarily due to an RMB74.2 million increase in government grants, mainly including grants in recognition of our contribution to local economies and grants in relation to expansions of our production capacity.

Selling and distribution expenses

Our selling and distribution expenses increased by 89.3% from RMB479.7 million in the six months ended June 30, 2014 to RMB908.1 million in the same period of 2015. As a percentage of revenue, our selling and distribution expenses increased from 6.5% in the six months ended June 30, 2014 to 10.7% in the same period of 2015. These increases were primarily due to an RMB280.5 million increase in promotion expenses as we adjusted our pricing and marketing strategies to conduct more marketing campaigns to strengthen our sales channels beginning from late 2014, an RMB80.7 million increase in logistics expenses, primarily because we permitted fewer of our customers to pick up products at our factories to improve our distributor management, and an RMB76.0 million increase in wages and salaries as we expanded our sales team to improve our penetration through the modern retail, catering and specialty channels and to improve our distributor management.

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Administrative expenses

Our administrative expenses increased by 34.0% from RMB129.9 million in the six months ended June 30, 2014 to RMB174.0 million in the same period of 2015. The increase was in line with our expanded business scale. As a percentage of revenue, our administrative expenses increased from 1.8% in the six months ended June 30, 2014 to 2.0% in the same period of 2015.

Profit before tax

As a result of the foregoing, our profit before tax increased by 37.3% from RMB1,377.8 million in the six months ended June 30, 2014 to RMB1,891.4 million in the same period of 2015.

Income tax expenses

Our income tax expense increased by 9.0% from RMB343.3 million in the six months ended June 30, 2014 to RMB374.3 million in the same period of 2015. Our effective tax rate decreased from 24.9% in the six months ended June 30, 2014 to 19.8% in the same period of 2015. This was primarily because our subsidiaries, Chengdu Dali, Yunnan Dali, Gansu Dali and Shaanxi Dali, obtained approvals from the relevant Chinese tax authorities in the first half of 2015 for eligibility for a 15% preferential tax rate.

Profit for the period

As a result of the foregoing, our profit increased by 46.6% from RMB1,034.5 million in the six months ended June 30, 2014 to RMB1,517.1 million in the same period of 2015.

The Year Ended December 31, 2014 Compared with the Year Ended December 31, 2013.

	For the year ended December 31,				
	2013		2014		2014 vs. 2013
	RMB ('000)	% of Revenue	RMB ('000)	% of Revenue	% Change
Revenue	12,827,020	100.0	14,894,003	100.0	16.1
Cost of sales	(10,239,151)	(79.8)	(10,895,178)	(73.2)	6.4
Gross profit	2,587,869	20.2	3,998,825	26.8	54.5
Other income and gains	67,189	0.5	114,093	0.8	69.8
Selling and distribution expenses .	(845,937)	(6.6)	(1,097,599)	(7.4)	29.7
Administrative expenses.....	(223,416)	(1.7)	(253,791)	(1.7)	13.6
Profit before tax	1,585,705	12.4	2,761,528	18.5	74.2
Income tax expense.....	(394,928)	(3.1)	(684,812)	(4.6)	73.4
Profit for the year/period	<u>1,190,777</u>	<u>9.3</u>	<u>2,076,716</u>	<u>13.9</u>	74.4

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Revenue

Our revenue increased by 16.1% from RMB12,827.0 million in 2013 to RMB14,894.0 million in 2014.

Revenue from sales of our food products increased by 14.6% from RMB7,414.6 million in 2013 to RMB8,495.4 million in 2014, due to higher revenues from our sales of products within all of our food product categories.

- Revenue from our sales of bread, cakes and pastries products increased by 14.5% from RMB4,999.5 million in 2013 to RMB5,726.2 million in 2014, primarily due to strong growth in our sales of soft French bread, our introduction of croissants, and our higher sales of products packaged in boxes and bags as opposed to those in loose packaging.
- Revenue from our sales of chips, fries and others products increased by 19.3% from RMB1,267.3 million in 2013 to RMB1,512.4 million in 2014, primarily due to our ongoing introduction of potato chips in new flavors such as curry and beefsteak, our higher sales of potato chips in higher-margin packaging, and our introduction of French fries.
- Revenue from our sales of biscuit products increased by 9.5% from RMB1,147.7 million in 2013 to RMB1,256.8 million in 2014, primarily due to the continued growth of the biscuit market in China, and our introduction of Danish butter cookies.

Revenue from sales of our beverage products increased by 18.2% from RMB5,412.5 million in 2013 to RMB6,398.6 million in 2014, due to higher revenues from our sales of products within all of our beverage product categories.

- Revenue from our sales of herbal tea increased by 11.9% from RMB2,119.5 million in 2013 to RMB2,371.5 million in 2014, primarily due to our introduction of our differentiated large-can herbal tea, which was well-received by consumers.
- Revenue from our sales of plant-based and milk beverages increased by 7.4% from RMB1,690.9 million in 2013 to RMB1,816.4 million in 2014, primarily due to the increasing popularity of our peanut milk, partially offset by a decline in our sales of our First Milk, as we prioritized resources for the production and sales of other beverage products due to the relatively high price of powdered milk, a key raw material for First Milk, in 2013 and 2014.
- Revenue from our sales of energy drinks increased significantly from RMB394.0 million in 2013 to RMB793.3 million in 2014, primarily due to our successful brand marketing and the ramp up of our sales of our energy drinks, which we introduced in 2013, particularly energy drinks in PET bottles.
- Revenue from our sales of other beverages increased by 17.3% from RMB1,208.2 million in 2013 to RMB1,417.4 million in 2014, primarily due to our introduction of new mixed porridge products and the rising popularity of our green plum green tea.

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Cost of sales

Our cost of sales increased by 6.4% from RMB10,239.2 million in 2013 to RMB10,895.2 million in 2014. Our cost of sales for food products increased by 5.1% from RMB5,937.1 million in 2013 to RMB6,237.7 million in 2014. Our cost of sales for beverage products increased by 8.3% from RMB4,302.1 million in 2013 to RMB4,657.5 million in 2014. The increase in our cost of sales primarily included (i) a 7.4% increase in our costs of packaging materials from RMB2,961.2 million in 2013 to RMB3,179.0 million in 2014, (ii) a 10.7% increase in our manufacturing costs from RMB1,187.5 million in 2013 to RMB1,314.6 million in 2014, and (iii) a 2.6% increase in our costs of raw materials from RMB5,359.7 million in 2013 to RMB5,498.5 million in 2014.

The increase in our cost of sales was primarily as a result of the increased sales volumes of both our food and beverage products. Both our cost of sales per ton of food products sold and our cost of sales per ton of beverage products sold remained relatively stable.

Gross profit

Our gross profit increased by 54.5% from RMB2,587.9 million in 2013 to RMB3,998.8 million in 2014. Our gross profit margin increased from 20.2% in 2013 to 26.8% in 2014.

Our gross profit from sales of food products increased by 52.8% from RMB1,477.5 million in 2013 to RMB2,257.7 million in 2014. Our gross profit margin from sales of food products increased from 19.9% in 2013 to 26.6% in 2014, primarily due to improvements in our product mix, as we had higher sales contribution from higher-margin products, such as potato chips, croissants, French fries and Danish butter cookies which we introduced in 2014, and our products in higher-margin packaging, and the higher overall prices at which we sold food products.

Our gross profit from sales of beverage products increased by 56.8% from RMB1,110.4 million in 2013 to RMB1,741.1 million in 2014. Our gross profit margin from sales of beverage products increased from 20.5% in 2013 to 27.2% in 2014, primarily due to improvements in our product mix, as we had higher sales contribution from higher-margin products, including new products such as energy drinks which we introduced in 2013, and existing products such as herbal tea and peanut milk, and the higher overall prices at which we sold beverage products.

Other income and gains

Our other income and gains increased by 69.8% from RMB67.2 million in 2013 to RMB114.1 million in 2014, primarily as a result of (i) a 58.9% increase in government grants from RMB27.8 million in 2013 to RMB44.2 million in 2014, mainly including grants in recognition of our contribution to local economies and grants in relation to expansions of our production capacity, and (ii) a 27.2% increase in income from sales of scrap from RMB32.0 million in 2013 to RMB40.7 million in 2014.

Selling and distribution expenses

Our selling and distribution expenses increased by 29.7% from RMB845.9 million in 2013 to RMB1,097.6 million in 2014. This increase was primarily attributable to a significant increase in promotion expenses from RMB58.5 million in 2013 to RMB159.9 million in 2014, as we adjusted our

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pricing and marketing strategies to conduct more marketing campaigns to strengthen our sales channels beginning from late 2014, and we continued to expand our key accounts channel; a 50.9% increase in wages and salaries of our sales team from RMB167.1 million in 2013 to RMB252.2 million in 2014 as a result of increases in both headcount and average wages, including the expansion of our sales team to improve our penetration through the modern retail, catering and specialty channels and to improve our distributor management; and a 31.0% increases in logistics expenses from RMB254.1 million in 2013 to RMB332.8 million in 2014 to support the growth of our sales. As a percentage of revenue, our selling and distribution expenses increased from 6.6% in 2013 to 7.4% in 2014.

Administrative expenses

Our administrative expenses increased by 13.6% from RMB223.4 million in 2013 to RMB253.8 million in 2014. This increase was in line with the 16.1% increase in our revenue. As a percentage of revenue, our administrative expenses remained stable at 1.7% in both years.

Profit before tax

As a result of the foregoing, our profit before tax increased by 74.2% from RMB1,585.7 million in 2013 to RMB2,761.5 million in 2014.

Income tax expenses

Our income tax expense increased by 73.4% from RMB394.9 million in 2013 to RMB684.8 million in 2014. Our effective tax rate remained relatively stable at 24.9% in 2013 and 24.8% in 2014.

Profit for the period

As a result of the foregoing, our profit increased by 74.4% from RMB1,190.8 million in 2013 to RMB2,076.7 million in 2014.

The Year Ended December 31, 2013 Compared with the Year Ended December 31, 2012.

	For the year ended December 31,				
	2012		2013		2013 vs. 2012
	RMB ('000)	% of Revenue	RMB ('000)	% of Revenue	% Change
Revenue	10,812,041	100.0	12,827,020	100.0	18.6
Cost of sales	(9,028,671)	(83.5)	(10,239,151)	(79.8)	13.4
Gross profit	1,783,370	16.5	2,587,869	20.2	45.1
Other income and gains	51,580	0.5	67,189	0.5	30.3
Selling and distribution expenses .	(732,388)	(6.8)	(845,937)	(6.6)	15.5
Administrative expenses.....	(179,948)	(1.7)	(223,416)	(1.7)	24.2
Profit before tax	922,614	8.5	1,585,705	12.4	71.9
Income tax expense.....	(230,026)	(2.1)	(394,928)	(3.1)	71.7
Profit for the year/period	<u>692,588</u>	<u>6.4</u>	<u>1,190,777</u>	<u>9.3</u>	71.9

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Revenue

Our revenue increased by 18.6% from RMB10,812.0 million in 2012 to RMB12,827.0 million in 2013, due to increases in our revenues from sales of both our food and beverage products.

Revenue from sales of our food products increased by 17.3% from RMB6,319.1 million in 2012 to RMB7,414.6 million in 2013, due to higher revenues from our sales of products within all our food product categories.

- Revenue from our sales of bread, cakes and pastries products increased by 18.6% from RMB4,216.5 million in 2012 to RMB4,999.5 million in 2013, primarily due to the rapid ramp-up of our sales of European cakes, which we introduced in the second half of 2012, and the strong growth of Swiss rolls, our pie products and soft French bread as a result of our increased marketing efforts.
- Revenue from our sales of chips, fries and others products increased by 13.7% from RMB1,114.8 million in 2012 to RMB1,267.3 million in 2013, primarily due to the overall strong growth of China's potato snacks market, and the rising popularity of our potato chips among young consumers, as we introduced new flavors and packaging to appeal to those consumers, and we increased marketing efforts to them.
- Revenue from our sales of biscuit products increased by 16.2% from RMB987.8 million in 2012 to RMB1,147.7 million in 2013, primarily due to our introduction of new Haochidian biscuit products, the strong growth of China's biscuit market, and our increased marketing efforts.

Revenue from sales of our beverage products increased by 20.5% from RMB4,493.0 million in 2012 to RMB5,412.5 million in 2013, due to increases in our sales of herbal tea and plant-based and milk beverages and our introduction of energy drinks, offset in part by lower sales of our other beverages.

- Revenue from our sales of herbal tea increased by 3.6% from RMB2,046.2 million in 2012 to RMB2,119.5 million in 2013, primarily due to the growth in sales of our PET-bottled herbal tea, which was a pioneering product in China's herbal tea market with a majority market share in terms of retail sales value in 2014 according to Frost & Sullivan, offset in part by a decline in our sales of canned herbal tea as we reduced our production and sales of small-can herbal tea in preparation for our launch of large-can herbal tea in 2014.
- Revenue from our sales of plant-based and milk beverage products increased by 36.3% from RMB1,240.3 million in 2012 to RMB1,690.9 million in 2013, primarily due to the rapid growth in sales of our peanut milk, including aseptic pack peanut milk which we introduced in the fourth quarter of 2012.

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- Revenue from our sales of energy drinks which we introduced in the second quarter of 2013 was RMB394.0 million, which rapidly gained brand awareness among our core targeted consumer groups, primarily young people, supported by our marketing efforts including our sponsorship arrangement with the Chinese Basketball Association.
- Revenue from our sales of other beverages remained relatively stable at RMB1,206.5 million in 2012 and RMB1,208.2 million in 2013.

Cost of sales

Our cost of sales increased by 13.4% from RMB9,028.7 million in 2012 to RMB10,239.2 million in 2013, primarily due to our higher level of sales. Our cost of sales for food products increased by 12.5% from RMB5,277.9 million in 2012 to RMB5,937.1 million in 2013. Our cost of sales for beverage products increased by 14.7% from RMB3,750.7 million in 2012 to RMB4,302.1 million in 2013. The increase in our cost of sales primarily included (i) a 12.9% increase in our costs of raw materials from RMB4,747.3 million in 2012 to RMB5,359.7 million in 2013, (ii) a 14.7% increase in our costs of packaging materials from RMB2,581.0 million in 2012 to RMB2,961.2 million in 2013, and (iii) a 12.9% increase in our manufacturing costs from RMB1,052.1 million in 2012 to RMB1,187.5 million in 2013.

The increase in our cost of sales was primarily as a result of the increased sales volumes of both our food and beverage products. Our cost of sales per ton of food products sold decreased primarily as a result of decreases in our average purchase prices for certain major raw materials, including sugar and palm oil, offset in part by increases in our average purchase prices for others, including flour. Our cost of sales per ton of beverage products sold increased primarily as a result of increases in our average purchase prices for certain major raw materials, including powdered milk and mesona, offset in part by decreases in our average purchase prices for certain other raw materials and packaging materials, including sugar and polyester chips.

Gross profit

Our gross profit increased by 45.1% from RMB1,783.4 million in 2012 to RMB2,587.9 million in 2013. Our gross profit margin increased from 16.5% in 2012 to 20.2% in 2013.

Our gross profit from sales of food products increased by 41.9% from RMB1,041.1 million in 2012 to RMB1,477.5 million in 2013. Our gross profit margin from sales of food products increased from 16.5% in 2012 to 19.9% in 2013, primarily due to improvements in our product mix, including higher sales contribution from higher-margin products such as potato chips, and decreases in our average purchase prices for certain major raw materials, partially offset by our marketing the sales of certain of our products in loose packaging, which generally had lower gross profit margins than those packaged in boxes or bags, and the favourable prices at which we sold certain of our products as part of our marketing strategies to expand our market shares.

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Our gross profit from sales of beverage products increased by 49.7% from RMB742.3 million in 2012 to RMB1,110.4 million in 2013. Our gross profit margin from sales of beverage products increased from 16.5% in 2012 to 20.5% in 2013, primarily due to improvements in our product mix, including higher sales contribution from higher-margin products, including new products such as energy drinks which we introduced in 2013, and our existing products such as peanut milk, partially offset by increases in our average purchase prices for certain major raw materials and the favourable prices at which we sold certain of our products as part of our marketing strategies to expand our market shares.

Other income and gains

Our other income and gains increased by 30.3% from RMB51.6 million in 2012 to RMB67.2 million in 2013, primarily due to a 47.4% increase in our income from sales of scrap, and a 32.0% increase in government grants, mainly including grants in recognition of our contribution to local economies and grants in relation to expansions of our production capacity.

Selling and distribution expenses

Our selling and distribution expenses increased by 15.5% from RMB732.4 million in 2012 to RMB845.9 million in 2013. This increase was in line with the 18.6% increase in our revenue from 2012 to 2013. As a percentage of revenue, our selling and distribution expenses remained relatively stable at 6.8% in 2012 and 6.6% in 2013.

Administrative expenses

Our administrative expenses increased by 24.2% from RMB179.9 million in 2012 to RMB223.4 million in 2013. This increase was in line with the 18.6% increase in our revenue from 2012 to 2013. As a percentage of revenue, our administrative expenses remained stable at 1.7% in both these years.

Profit before tax

As a result of the foregoing, our profit before tax increased by 71.9% from RMB922.6 million in 2012 to RMB1,585.7 million in 2013.

Income tax expenses

Our income tax expense increased by 71.7% from RMB230.0 million in 2012 to RMB394.9 million in 2013. Our effective tax rate remained 24.9% in both 2012 and 2013.

Profit for the period

As a result of the foregoing, our profit increased by 71.9% from RMB692.6 million in 2012 to RMB1,190.8 million in 2013.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

Our primary uses of cash during the Track Record Period were to pay for purchases of raw materials and packaging materials and for capital expenditures. We financed our liquidity requirements mainly through cash flows generated from our operating activities, as well as capital contributions from our Controlling Shareholders. We also financed part of our capital expenditures for production facilities and production lines through advances from our Controlling Shareholders.

The following table sets forth selected cash flow data from our consolidated cash flow statements for the years indicated:

	For the year ended December 31,			For the six months ended	
	June 30,				
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
				(unaudited)	
Net cash flows from operating activities.....	1,206,602	1,729,339	2,490,726	1,104,548	2,406,651
Net cash flows used in investing activities.....	(894,777)	(907,838)	(670,454)	(498,093)	(251,440)
Net cash flows used in financing activities.....	(325,945)	(563,100)	(1,832,992)	(573,147)	(864,207)
Net increase/(decrease) in cash and cash equivalents.....	(14,120)	258,401	(12,720)	33,308	1,291,004
Cash and cash equivalents at the beginning of year/period.....	397,290	383,170	641,571	641,571	628,851
Effect of foreign exchange rate changes	—	—	—	—	14,803
Cash and cash equivalents at the end of year/period	383,170	641,571	628,851	674,879	1,934,658

Cash Flow Generated from Operating Activities

In the six months ended June 30, 2015, we had net cash inflows from operating activities of RMB2,406.7 million, consisting of RMB2,140.2 million in net cash inflows generated from operating activities before changes in working capital, net cash inflows of RMB636.8 million relating to changes in working capital and tax paid of RMB370.4 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB1,891.4 million, adjusted for non-cash items, including primarily to add back depreciation of RMB249.7 million and amortization of prepaid land lease payments of RMB5.9 million and to deduct government grants recognized in profit or loss of RMB7.5 million. Our net cash inflows relating to changes in working capital were primarily attributable to (i) a decrease in inventories of RMB366.3 million primarily due to the higher inventory levels that we typically maintain at year-end in

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connection with the upcoming Chinese New Year sales season, decreases in our purchase prices for certain major raw materials and packaging materials, and our deferred purchases of certain raw materials and packaging materials in anticipation of lower prices, (ii) an increase in trade and bills payables of RMB241.7 million, primarily in line with our increased sales, as well as due to a deduction of RMB117.4 million from our trade and bills payables as of December 31, 2014 as a distribution to the Controlling Shareholders in connection with the Reorganization, and (iii) an increase in other payables and accruals of RMB76.0 million primarily in line with our increased sales. These were offset in part by an increase in trade receivables of RMB35.5 million, primarily because our sales increased significantly, and because our year-end trade receivables are usually lower as a result of our year-end collection efforts; and an increase in prepayments, deposits and other receivables of RMB14.6 million.

In the six months ended June 30, 2014, we had net cash inflows from operating activities of RMB1,104.5 million, consisting of RMB1,604.6 million in net cash inflows generated from operating activities before changes in working capital, net cash outflows of RMB166.7 million relating to changes in working capital and tax paid of RMB333.4 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB1,377.8 million, adjusted for non-cash items, including primarily to add back depreciation of RMB225.1 million and amortization of prepaid land lease payments of RMB5.5 million and to deduct government grants recognized in profit or loss of RMB5.4 million. Our net cash outflows relating to changes in working capital were primarily attributable to (i) an increase in trade receivables of RMB145.1 million, primarily because our year-end trade receivables are typically lower as a result of year-end collection efforts, (ii) a decrease in other payables and accruals of RMB95.2 million, primarily due to our lower level of advances from customers, and (iii) a decrease in trade and bills payables of RMB61.5 million, primarily because we made higher purchases at the year-end 2013 in connection with the upcoming Chinese New Year sales season. These were offset in part by (i) a decrease in inventories of RMB71.4 million, primarily because we typically maintain higher levels of inventories at year-end in connection with the upcoming Chinese New Year sales season and because our purchase prices for certain major raw materials decreased, (ii) a decrease in prepayments, deposits and other receivables of RMB38.5 million, primarily due to a decrease in prepayments to suppliers and a reduction of VAT recoverable, and (iii) a decrease in pledged deposits of RMB25.3 million.

In 2014, we had net cash inflows from operating activities of RMB2,490.7 million, consisting of RMB3,216.6 million in net cash inflows generated from operating activities before changes in working capital, net cash inflows of RMB34.5 million relating to changes in working capital and tax paid of RMB760.3 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB2,761.5 million, adjusted for non-cash items, including primarily to add back depreciation of RMB467.8 million and amortization of prepaid land lease payments of RMB12.2 million and to deduct interest income from a loan to a third party of RMB12.3 million and government grants recognized in profit or loss of RMB11.2 million. Our net cash inflows relating to changes in working capital were primarily attributable to (i) a decrease in prepayments, deposits and other receivables of RMB58.7 million (after distributing prepayments, deposits and other receivables of RMB21.6 million to the Controlling Shareholder in connection with the Reorganization) primarily due to a decrease in prepayments to our suppliers, (ii) a decrease in pledged deposits of RMB30.7 million primarily because a portion of our bills payables was distributed to the Controlling Shareholders in connection with the Reorganization

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in 2014, and (iii) an increase in trade and bills payables of RMB19.9 million (after distributing trade and bills payables of RMB117.4 million to the Controlling Shareholders in connection with the Reorganization) in line with our increased sales. These were offset in part by (i) an increase in trade receivables of RMB54.4 million (after distributing trade receivables of RMB80.4 million to the Controlling Shareholders in connection with the Reorganization) in line with our increased sales, and (ii) a decrease in other payables and accruals of RMB20.4 million (after distributing other payables and accruals of RMB37.4 million to the Controlling Shareholders in connection with the Reorganization) primarily due to our decreased advances from customers. For more information on our distributions to the Controlling Shareholders in connection with the Reorganization, please see Note 32 to “Appendix I—Accountants’ Report” in this prospectus.

In 2013, we had net cash inflows from operating activities of RMB1,729.3 million, consisting of RMB1,978.6 million in net cash inflows generated from operating activities before changes in working capital, net cash inflows of RMB86.9 million relating to changes in working capital and tax paid of RMB336.2 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB1,585.7 million, adjusted for non-cash items, including to add back depreciation of RMB387.6 million and amortization of prepaid land lease payments of RMB10.1 million and to deduct government grants recognized in profit or loss of RMB7.6 million. Our net cash inflows relating to changes in working capital were primarily attributable to (i) an increase in trade and bills payables of RMB125.0 million in line with our increased sales, (ii) a decrease in inventories of RMB112.4 million primarily due to our increased purchases of raw materials at the year-end 2012 to stock our new production facilities and production lines, and (iii) a decrease in prepayments, deposits and other receivables of RMB19.6 million primarily due to a decrease in prepayments to our suppliers. These were offset in part by (i) an increase in trade receivables of RMB141.6 million primarily due to our increased sales in the year ended December 31, 2013 and our increased sales in the year-end sales season of 2013 in anticipation of the 2014 Chinese New Year festival, which began earlier than the 2013 Chinese New Year festival, (ii) a decrease in other payables and accruals of RMB16.3 million primarily due to our decreased advances from customers, and (iii) an increase in pledged deposits of RMB12.3 million.

In 2012, we had net cash inflows from operating activities of RMB1,206.6 million, consisting of RMB1,247.9 million in net cash inflows generated from operating activities before changes in working capital, net cash inflows of RMB227.6 million relating to changes in working capital and tax paid of RMB268.8 million. Our net cash inflows generated from operating activities before changes in working capital were primarily attributable to our profit before tax of RMB922.6 million, adjusted for non-cash items, including to add back depreciation of RMB315.1 million and amortization of prepaid land lease payments of RMB8.9 million. Our net cash inflows relating to changes in working capital were primarily attributable to (i) an increase in trade and bills payables of RMB194.5 million primarily in line with our increased sales, (ii) a decrease in trade receivables of RMB105.8 million primarily because the year-end sales season of 2011 included the holiday sales season in anticipation of the 2012 Chinese New Year festival, which began earlier than the 2013 Chinese New Year festival, (iii) an increase in other payables and accruals of RMB85.4 million primarily due to an increase in advances from customers, and (iv) a decrease in prepayments, deposits and other receivables of RMB40.2 million primarily because of a decrease in prepayments to our suppliers, offset in part by an increase in inventories of RMB198.7 million primarily because we increased purchases of raw materials at the year-end 2012 to stock our production facilities that went into operation in 2012.

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Cash Flow Used in Investing Activities

In the six months ended June 30, 2015, our net cash flows used in investing activities were RMB251.4 million. This was mainly attributable to (i) RMB213.5 million in purchases of property, plant and equipment mainly in relation to our production and ancillary facilities, (ii) RMB32.2 million in additions to prepaid land lease payments for certain production and ancillary facilities, and (iii) RMB13.0 million in advances to a related party, which were repaid to us in July 2015. These were offset in part by our receipts of asset-related government grants of RMB6.0 million primarily in relation to certain production facilities.

In the six months ended June 30, 2014, our net cash flows used in investing activities were RMB498.1 million. This was mainly attributable to (i) RMB325.3 million in purchases of property, plant and equipment mainly in relation to certain production facilities and new production lines, (ii) RMB200.0 million in a loan to a third party through an entrustment arrangement with a commercial bank, which was repaid to us in 2014, and (iii) RMB19.3 million in additions to prepaid land lease payments for certain production facilities. These were offset in part by our receipts of asset-related government grants of RMB46.0 million.

In 2014, our net cash flows used in investing activities were RMB670.5 million. This was mainly attributable to (i) our purchases of property, plant and equipment of RMB521.2 million primarily for our production facilities under construction at Shaanxi Dali and Hebei Dali and new production lines, (ii) our loan of RMB200.0 million to Hubei Dali Estate Co., Ltd., a related party, and (iii) our additions to prepaid land lease payments of RMB37.4 million for certain production facilities, offset in part by (i) our receipts of asset-related government grants of RMB71.6 million, (ii) our interest income received in respect of loans to a third party of RMB12.3 million, and (iii) our interest income received in respect of a loan to a related party of RMB3.4 million.

In 2013, our net cash flows used in investing activities were RMB907.8 million. This was mainly attributable to (i) our purchases of property, plant and equipment of RMB900.1 million primarily for our production facilities under construction at Hebei Dali and Shaanxi Dali and new production lines, and (ii) our additions to prepaid land lease payments of RMB55.0 million for certain production facilities, offset in part by our receipts of asset-related government grants of RMB47.3 million.

In 2012, our net cash flows used in investing activities were RMB894.8 million. This was mainly attributable to (i) our purchases of property, plant and equipment of RMB900.1 million primarily for our new production facilities at Henan Dali, Guangdong Dali, Jiangsu Dali and Nanchang Dali that went into operation in 2012, and (ii) our additions to prepaid land lease payments of RMB48.1 million for certain production facilities, offset in part by our receipts of asset-related government grants of RMB53.8 million.

Cash Flow Used in Financing Activities

In the six months ended June 30, 2015, our net cash flows used in financing activities were RMB864.2 million. This was attributable to (i) our dividends paid to Fujian Dali of RMB1,125.8 million in connection with the Reorganization, (ii) our repayment of RMB649.0 million in amounts due to a related party in connection with the Reorganization, and (iii) our repayment of advances from

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the Controlling Shareholders of RMB285.1 million. These were offset in part by proceeds of RMB1,110.0 million from issue of shares to CDH Delicacy, advances from the Controlling Shareholders of RMB80.7 million and proceeds from a non-interest-bearing borrowing of RMB5.0 million.

In the six months ended June 30, 2014, our net cash flows used in financing activities were RMB573.1 million. This was attributable to (i) our repayment of RMB582.3 million in advances from the Controlling Shareholders, (ii) our dividends paid to the Controlling Shareholders of RMB21.0 million, and (iii) our repayment of RMB16.1 million in advances from related parties. These were offset in part by advances from the Controlling Shareholders of RMB37.3 million, and advances from related parties of RMB9.0 million.

In 2014, our net cash flows used in financing activities were RMB1,833.0 million. This was attributable to (i) our repayment of advances from the Controlling Shareholders of RMB1,231.6 million, (ii) our distribution to the Controlling Shareholders of RMB561.9 million in connection with our Reorganization, (iii) our dividends paid to the Controlling Shareholders of RMB80.0 million, and (iv) our repayment of advances from related parties of RMB17.0 million, offset in part by (i) advances from the Controlling Shareholders of RMB48.5 million, and (ii) advances from related parties of RMB9.0 million. Please see the section headed “History, Development and Reorganization—Reorganization” for further information on the Reorganization.

In 2013, our net cash flows used in financing activities were RMB563.1 million. This was attributable to (i) the acquisition of equity interest in certain subsidiaries by Fujian Dali, our then-consolidated entity, from the Controlling Shareholders of RMB738.6 million as part of our internal reorganization, (ii) our dividends paid to the Controlling Shareholders of RMB600.0 million, (iii) our repayment of advances from the Controlling Shareholders of RMB503.4 million, and (iv) our repayment of advances from related parties of RMB48.0 million, offset in part by (i) advances from the Controlling Shareholders of RMB977.0 million, which were primarily used for the construction of our production facilities and purchases of production lines, and (ii) capital contributions from the Controlling Shareholders of RMB350.0 million.

In 2012, our net cash flows used in financing activities were RMB325.9 million. This was mainly attributable to (i) our dividends paid to the Controlling Shareholders of RMB689.5 million, (ii) our repayment of advances from the Controlling Shareholders of RMB575.1 million, and (iii) the acquisition of equity interest in certain subsidiaries by Fujian Dali, our then-consolidated entity, from the Controlling Shareholders of RMB265.0 million as part of our internal reorganization, offset in part by (i) advances from the Controlling Shareholders of RMB843.6 million, which were primarily used for the construction of our production facilities and purchases of production lines, and (ii) capital contributions from the Controlling Shareholders of RMB302.0 million.

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Current Assets and Liabilities

The following table sets forth our current assets and current liabilities by category as of the dates indicated:

	As of December 31,			As of June 30,	As of September 30,
	2012	2013	2014	2015	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)
Current Assets					
Inventories.....	1,212,807	1,098,544	1,090,443	723,824	814,375
Trade receivables.....	76,120	217,696	191,756	227,264	267,446
Prepayments, deposits and other receivables	207,484	175,867	86,831	97,267	105,631
Available-for-sale investments	—	—	—	—	435,000
Due from a related party	—	—	—	13,000	—
Tax recoverable	—	—	—	11,144	—
Pledged deposits.....	24,670	36,926	6,205	3,350	6,340
Cash and cash equivalents	383,170	641,571	628,851	1,934,658	1,284,688
Total current assets.....	<u>1,904,251</u>	<u>2,170,604</u>	<u>2,004,086</u>	<u>3,010,507</u>	<u>2,913,480</u>
Current Liabilities					
Trade and bills payables	743,168	868,197	770,615	1,012,364	1,123,376
Other payables and accruals	901,048	899,725	812,702	891,100	866,629
Other borrowings.....	—	—	—	5,000	1,505,000
Due to the Controlling Shareholders.....	862,023	1,335,594	204,411	—	—
Due to related parties	58,000	9,958	3,081,750	2,432,729	—
Tax payable	30,708	98,342	133,749	129,308	161,210
Dividends payable	—	—	1,125,756	—	—
Total current liabilities	<u>2,594,947</u>	<u>3,211,816</u>	<u>6,128,983</u>	<u>4,470,501</u>	<u>3,656,215</u>
Net current liabilities.....	<u>(690,696)</u>	<u>(1,041,212)</u>	<u>(4,124,897)</u>	<u>(1,459,994)</u>	<u>(742,735)</u>

Our net current liabilities positions as of December 31, 2012, 2013 and 2014 and June 30 and September 30, 2015 were mainly a result of our expansion of our production facilities and our Reorganization as explained in the following. We had net current liabilities of RMB690.7 million as of December 31, 2012 and RMB1,041.2 million as of December 31, 2013, mainly because in 2012 and 2013 we used cash generated from operating activities, capital contributions from our Controlling Shareholders and advances of RMB843.6 million in 2012 and RMB977.0 million in 2013 from the Controlling Shareholders to purchase property, plant and equipment and prepaid land lease payments for certain production facilities and to purchase production lines, and incurred amounts due to the Controlling Shareholders when Fujian Dali, our then-consolidated entity, purchased equity interest in certain subsidiaries from the Controlling Shareholders.

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We had significant net current liabilities of RMB4,124.9 million as of December 31, 2014, mainly because in 2014 (i) we incurred RMB3,081.8 million in amount due to related parties, including RMB2,575.6 million for purchasing operating subsidiaries, operating assets and working capital from Fujian Dali, which was excluded from our consolidated group on December 31, 2014 as part of our Reorganization, and RMB506.2 million as non-trade payables to Fujian Dali, (ii) we had dividends payable to Fujian Dali of RMB1,125.8 million as a result of our Reorganization, and (iii) we used cash generated from operating activities and advances of RMB48.5 million from the Controlling Shareholders to purchase property, plant and equipment and prepaid land lease payments for certain production facilities and to purchase production lines. In connection with the Reorganization, Fujian Dali retained certain assets and liabilities in the Business Transfer. We have treated these assets and liabilities, together with our consideration for the purchase of operating subsidiaries, operating assets and working capital from Fujian Dali, as distribution to the Controlling Shareholders in connection with the Reorganization. For details of the assets and liabilities distributed to and retained by the Controlling Shareholders in connection with the Reorganization, see Note 32 to “Appendix I—Accountants’ Report” to this prospectus.

We had net current liabilities of RMB1,460.0 million as of June 30, 2015. This net current liability position was primarily because we had significant net current liabilities as of December 31, 2014 and, to a lesser extent, because we used cash generated from operating activities and advances of RMB2.6 million from Controlling Shareholders to purchase property, plant and equipment and prepaid land lease payments for certain production facilities and ancillary facilities and to purchase production lines in the six months ended June 30, 2015. The decrease in our net current liabilities as of June 30, 2015 compared to December 31, 2014 was mainly because we had significant net cash inflows from our operating activities.

We had net current liabilities of RMB742.7 million as of September 30, 2015 compared to net current liabilities of RMB1,460.0 million as of June 30, 2015. This decrease in net current liabilities was primarily due to our repayment of RMB2,432.7 million in amounts due to related parties, offset in part by an RMB1,500.0 million increase in other borrowings, which we incurred to repay the amounts due to related parties. Our trade receivables increased by 17.7% from RMB227.3 million as of June 30, 2015 to RMB267.4 million as of September 30, 2015, primarily due to our collection efforts in June 2015 and, to a lesser extent, our increased sales (typically credit sales) to key accounts. We had available-for-sale financial assets of RMB435.0 million as of September 30, 2015, composed of two principal-guaranteed wealth management products (with terms of 181 days and 182 days, respectively) that we purchased from banking institutions in China in September 2015. The pay-out of these wealth management products is linked to financial assets including primarily bills issued by the PBOC, policy bank bonds and commercial paper. In addition, our cash and cash equivalents as of September 30, 2015 included a structured deposit (principal-guaranteed) of RMB154.0 million with a Chinese commercial bank; this deposit had a term of 91 days and an interest rate comprising a fixed component and a floating component based on specified price ranges of gold. We made such investments in accordance with the authorization of the board of directors of Dali (PRC) and as approved by our chief financial officer. We purchase wealth management products as an auxiliary means to improve utilization of our cash-on-hand on a short-term basis, and we have implemented internal policies and control measures to oversee these investments. In accordance with these internal policies and control measures, we only purchase principal-guaranteed wealth management products issued by banking institutions that have terms within one year and relatively low risks. Before making

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the investments, we evaluate our cash-on-hand, our expected fund demands for our business operations and market conditions for wealth investment products. Our finance department conducts investments in China within the authorizations of the directors of Dali (PRC) and as approved by our chief financial officer, and manages the relevant investment risks, and our internal audit department inspects the flow of funds for these investments to ensure the safety of the funds.

We borrowed three one-year term entrusted loans in the aggregate principal amount of RMB1.5 billion from a third-party wealth management company through a commercial bank (to whom the wealth management company was an affiliate) on August 7, 2015. We have used the proceeds of these loans to pay part of the amounts due to related parties incurred from our purchases of operating subsidiaries, operating assets and working capital from Fujian Dali as part of the Reorganization. As of September 30, 2015, we had a committed and undrawn credit facility of RMB2.0 billion from a commercial bank for liquidity requirements of our businesses. Our Directors believe that given this credit facility available to us, the future cash flows generated from our operating activities and the proceeds that we expect to receive from the Global Offering, we will be able to improve our liquidity position after Listing. Please see the section headed “Risk Factors—Risks Relating to Our Business—We had net current liabilities as of December 31, 2012, 2013 and 2014, June 30, 2015 and September 30, 2015 and we cannot assure you that we will not continue to record net current liabilities” for further information.

Inventories

Our inventories consist primarily of raw materials and, to a lesser extent, finished goods.

The following table sets forth a summary of our total inventories as of each date indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Raw materials and packaging materials	930,955	810,376	684,613	441,072
Finished goods.....	281,852	288,168	405,830	282,752
Total.....	<u>1,212,807</u>	<u>1,098,544</u>	<u>1,090,443</u>	<u>723,824</u>

Our inventories decreased by 9.4% from RMB1,212.8 million as of December 31, 2012 to RMB1,098.5 million as of December 31, 2013, primarily because we increased purchases of raw materials at the year-end 2012 to stock certain of our new production facilities that went into operation in 2012. Our inventories as of December 31, 2014 remained relatively stable at RMB1,090.4 million compared to the prior year despite a 16.1% increase in our revenue, and our inventories decreased by 33.6% from December 31, 2014 to RMB723.8 million as of June 30, 2015, primarily due to decreases in our purchase prices for certain major raw materials and packaging materials, our deferred purchases of certain raw materials and packaging materials in anticipation of lower prices, and our improved management of inventory levels. The decrease in our inventories from December 31, 2014 to June 30, 2015 was also because we typically maintain higher inventory levels at year-end in connection with the upcoming Chinese New Year sales season.

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We periodically assess impairment to inventories and record impairment to inventories in our cost of sales when their cost is lower than their net realizable value. We recorded impairment of inventories of RMB0.2 million, RMB1.9 million, RMB0.2 million and RMB0.3 million in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. These impairments were primarily because we made changes in our packaging for some of our products, which made the old packaging obsolete.

The following table sets forth our inventory turnover days during the period indicated:

	For the year ended December 31,			For the six months ended June 30,
	2012	2013	2014	2015
Inventory turnover days ⁽¹⁾	45.0	41.2	36.7	29.3

Note:

- (1) Inventory turnover days for each one-year period equals the average of the beginning and ending inventory for that year divided by cost of sales for that year and multiplied by 365 days, and the inventory turnover days for a six-month period equals the average of the beginning and ending inventory for that period divided by the cost of sales for that period and multiplied by 183 days.

Our inventory turnover days decreased from 45.0 days in 2012 to 41.2 days in 2013 and further to 36.7 days in 2014, primarily due to (i) decreases in prices of certain of our major raw materials and packaging materials during the Track Record Period, (ii) our deferred purchases of certain raw materials and packaging materials in anticipation of lower prices, and (iii) our improved management of inventory levels during the Track Record Period.

As of September 30, 2015, RMB678.2 million, or 93.7%, of our inventory balance as of June 30, 2015 had been sold or utilized.

Trade Receivables

During the Track Record Period, we required most of our distributors to make payment for their purchases from us upon or prior to delivery of the products. However, we granted credit terms of not more than 30 days after the date of delivery of our products to certain of our distributors that made relatively large purchases from us, had relatively large business scale and had good credit records. We assess the credit worthiness of our distributors through inquiries into their credit profiles and by collecting and reviewing materials regarding their operating history, sales performance, relationship history with us, past credit problems and financial conditions. We limit the amounts of these credits available to distributors, and regularly review the credit terms we grant to them. We generally grant credit periods of 30 to 90 days after the date of delivery of our products to certain key accounts based on our contracts with the key accounts.

Our trade receivables increased significantly from RMB76.1 million as of December 31, 2012 to RMB217.7 million as of December 31, 2013, primarily due to (i) an 18.6% increase in our total revenue, and (ii) our increased sales in the year-end sales season of 2013 in anticipation of the 2014

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Chinese New Year festival starting on January 31, 2014, while the 2013 Chinese New Year festival started later. Our trade receivables as of December 31, 2014 decreased by 11.9% to RMB191.8 million compared to the prior year. This was primarily due to our distribution of trade receivables of RMB80.4 million to our Controlling Shareholders in connection with the Reorganization, offset in part by our increased sales. Our trade receivables increased by 18.5% from December 31, 2014 to RMB227.3 million as of June 30, 2015 primarily because our sales increased significantly, and because trade receivables at the year-end are usually comparatively lower as a result of our year-end collection efforts.

The following table sets forth an aging analysis, based on invoice date, of our trade receivables (net of impairment losses for bad and doubtful debts) as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 90 days.....	66,734	200,471	181,125	195,617
91 to 180 days	3,181	15,852	8,956	29,096
181 to 365 days	5,684	1,090	1,395	2,551
Over a year.....	521	283	280	—
Total	<u>76,120</u>	<u>217,696</u>	<u>191,756</u>	<u>227,264</u>

During the Track Record Period, a substantial majority of our trade receivables were aged within 90 days.

We recorded impairment of trade receivables of RMB0.9 million, RMB0.9 million, RMB0.7 million and RMB0.7 million in 2012, 2013, 2014 and the six months ended June 30, 2015. These impairments related primarily to independent distributors that wound up their businesses.

The table below sets forth our trade receivables turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended
	2012	2013	2014	June 30,
				2015
Trade receivables turnover days ⁽¹⁾	4.4	4.2	5.0	4.5

Note:

- (1) Trade receivables turnover days for each one-year period equals the average of the beginning and ending balances of trade receivables for that year divided by revenue for that year and multiplied by 365 days, and the trade receivables turnover days for a six-month period equals the average of the beginning and ending balances of trade receivables for that period divided by revenue for that period and multiplied by 183 days.

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Our trade receivables turnover days were 4.4, 4.2, 5.0 and 4.5 days in 2012, 2013, 2014 and the six months ended June 30, 2015, respectively. We maintained relatively short turnover days during the Track Record Period mainly because we required most of our distributors to pay for products from us upon or before the delivery of our products.

As of September 30, 2015, we had collected RMB217.5 million, or 95.7%, of the outstanding balance amount of our trade receivables as of June 30, 2015.

Prepayments, Deposits and Other Receivables

During the Track Record Period, our prepayments, deposits and other receivables consisted primarily of prepayments to suppliers, value added tax (“VAT”) recoverable, prepayments for advertising services, and deposits. Our sales of food and beverage products are subject to Chinese VAT. Under Chinese law, input VAT on purchases can be deducted from output VAT payable. Our VAT recoverable is the net difference between output VAT and deductible input VAT as of the relevant date.

The following table sets forth our prepayment, deposits and other receivables as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Prepayments to suppliers.....	84,621	76,826	32,560	50,415
VAT recoverable.....	82,327	54,424	20,018	4,209
Prepayments for advertising services....	8,587	20,433	20,908	31,995
Deposits.....	25,000	13,000	4,200	—
Other receivables	6,949	11,184	9,145	10,648
Total.....	207,484	175,867	86,831	97,267

Our prepayments, deposits and other receivables decreased by 15.2% to RMB175.9 million as of December 31, 2013 compared to the prior year, primarily due to an RMB27.9 million reduction in VAT recoverable mainly for equipment purchased for certain of our production facilities and new production lines as they went into operation in 2012 and ramped up sales in 2013, an RMB12.0 million decrease in deposits, as well as an RMB7.8 million decrease in prepayments to suppliers primarily as a result of our increased bargaining power. This was offset in part by an RMB11.8 million increase in prepayments for advertising services due to our increased marketing campaigns in 2013.

Our prepayments, deposits and other receivables decreased significantly to RMB86.8 million as of December 31, 2014 compared to the prior year. This was due in part to our distribution of prepayments, deposits and other receivables of RMB21.6 million to our Controlling Shareholders in connection with the Reorganization, as well as (i) an RMB44.3 million decrease in our prepayments to suppliers as a result of our increased bargaining power, and (ii) an RMB34.4 million reduction in VAT recoverable mainly for equipment purchased for certain of our production facilities and new production lines as we continued to ramp up sales.

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Our prepayments, deposits and other receivables increased by 12.0% to RMB97.3 million as of June 30, 2015 compared to December 31, 2014, primarily due to an RMB17.9 million increase in prepayments to suppliers as we purchased more raw materials and packaging materials to prepare for the peak season sales of our beverage products in summer, and an RMB11.1 million increase in prepayments for advertising services primarily in relation to advertising for our new products. These were offset in part by an RMB15.8 million reduction in VAT recoverable mainly for equipment purchased for certain of our production facilities and new production lines as we continued to ramp up sales and for certain other production facilities and production lines that went into operation in the first half of 2015.

Trade and Bills Payables

Our trade and bills payables primarily include trade payables, and to a lesser extent, bills payables for purchases of raw materials and packaging materials. Our bills payables were secured by pledges of our short-term deposits in the amount of RMB24.7 million, RMB36.9 million, RMB6.2 million and RMB3.4 million as of December 31, 2012, 2013 and 2014 and June 30, 2015. Our trade payables are generally non-interest-bearing and settled within 30 days of our suppliers' delivery of the products to us. Our bills payables are generally non-interest-bearing and settled within 90 days.

The following table sets forth our trade and bills payables by category as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Trade payables	718,498	831,271	759,210	1,005,664
Bills payables	24,670	36,926	11,405	6,700
Total	<u>743,168</u>	<u>868,197</u>	<u>770,615</u>	<u>1,012,364</u>

Our trade and bills payables increased by 16.8% to RMB868.2 million as of December 31, 2013 compared to the prior year in line with our increased sales. Our trade and bills payables decreased by 11.2% to RMB770.6 million as of December 31, 2014 compared to the prior year. This was primarily due to our distribution of trade and bills payables of RMB117.4 million to our Controlling Shareholders in connection with the Reorganization, offset in part by our increased sales. Our trade and bills payables increased by 31.4% to RMB1,012.4 million as of June 30, 2015 compared to December 31, 2014, primarily in line with our increased sales, as well as due to the deduction of RMB117.4 million from the trade and bills payables as of December 31, 2014 as distribution to the Controlling Shareholders in connection with the Reorganization.

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The following table sets forth an aging analysis of our trade and bills payables as of the dates indicated, based on the transaction dates:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within 90 days.....	701,761	814,667	720,848	941,371
91 to 365 days	31,490	39,683	33,159	62,645
1 to 2 years	7,104	7,871	11,311	7,031
Over 2 years	2,813	5,976	5,297	1,317
Total	<u>743,168</u>	<u>868,197</u>	<u>770,615</u>	<u>1,012,364</u>

During the Track Record Period, a substantial majority of our trade and bills payables were aged within 90 days.

The following table sets forth our trade and bills payables turnover days for the periods indicated:

	For the year ended December 31,			For the six months ended
	2012	2013	2014	June 30, 2015
Trade and bills payables turnover days ⁽¹⁾	26.1	28.7	27.5	28.8

Note:

- (1) Trade and bills payables turnover days for each one-year period equals the average of the beginning and ending trade and bills payables for that year divided by cost of sales for that year and multiplied by 365 days, and the trade and bills payables turnover days for a six-month period equals the average of the beginning and ending trade and bills payables for that period divided by cost of sales for that period and multiplied by 183 days.

Our trade and bills payables turnover days were 26.1, 28.7, 27.5 and 28.8 days in 2012, 2013, 2014 and the six months ended June 30, 2015. The increase in our trade and bills payable turnover days from 26.1 days in 2012 to 28.7 days in 2013 was primarily because we enjoyed better credit terms from our suppliers in 2013 due to our increased bargaining power. The decrease in our trade and bills payables turnover days from 28.7 days in 2013 to 27.5 days in 2014 was primarily due to the deduction of RMB117.4 million in trade and bills payables as of December 31, 2014, which we distributed to our Controlling Shareholders in connection with the Reorganization.

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Other Payables and Accruals

The following table sets forth our other payables and accruals as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Advances from customers	506,868	410,274	353,141	330,825
Payables for purchase of property, plant and equipment	166,502	194,000	178,851	169,248
Payables for purchase of prepaid land lease payments	63,730	51,230	37,217	49,175
Payroll and welfare payables.....	56,316	73,527	85,161	108,189
Other tax payable.....	69,138	98,178	90,222	109,806
Other payables	38,494	72,516	68,110	123,857
Total	<u>901,048</u>	<u>899,725</u>	<u>812,702</u>	<u>891,100</u>

Our other payables and accruals remained relatively stable as of December 31, 2012 and 2013 despite an 18.6% increase in our revenue, primarily due to (i) an RMB96.6 million decrease in advances from customers as we granted credit terms of no more than 30 days to more of our distributors, and (ii) an RMB12.5 million decrease in payables for purchase of prepaid land lease payments, offset in part by (i) an RMB34.0 million increase in other payables, including logistics expenses and utilities, and an RMB29.0 million increase in other tax payable, both in line with our increased sales, (ii) an RMB27.5 million increase in our payables for purchase of property, plant and equipment at the year-end 2013 mainly for the construction of certain of our production facilities and purchases of new production lines, and (iii) an RMB17.2 million increase in payroll and welfare payables due to the increase in average wages.

Our other payables and accruals as of December 31, 2014 decreased by 9.7% to RMB812.7 million compared to the prior year. This was in part due to our distribution of other payables and accruals of RMB37.4 million to our Controlling Shareholders in connection with the Reorganization, as well as (i) an RMB57.1 million decrease in advances from customers, as we granted credit terms of no more than 30 days to more of our distributors, and (ii) an RMB15.1 million decrease in our payables for purchases of property, plant and equipment and an RMB14.0 million decrease in payables for purchase of prepaid land lease payments, as most of our construction works for our production facilities at the year-end 2013 were completed or close to completion as at the year-end 2014. These decreases were offset in part by an RMB11.6 million increase in payroll and welfare payables due to the increase in headcount and average wages.

Our other payables and accruals increased by 9.6% to RMB891.1 million as of June 30, 2015 compared to December 31, 2014 primarily due to (i) an RMB55.7 million increase in our other payables and an RMB19.6 million increase in our other tax payable, in line with our increased sales, (ii) an RMB23.0 million increase in payroll and welfare payables as a result of the increased

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headcount and average wages of our sales and administrative personnel, and (iii) an RMB12.0 million increase in payables for purchase of prepaid land lease payments for certain of our production facilities. These increases were offset in part by (i) an RMB22.3 million decrease in advances from customers because we had higher advances from customers at the year-end of 2014 in anticipation of Chinese New Year sales season, and (ii) an RMB9.6 million decrease in payables for purchase of property, plant and equipment.

Related Party Transactions

The following table sets forth amounts due to the Controlling Shareholders and amounts due to related parties as of the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Due to the Controlling Shareholders	862,023	1,335,594	204,411	—
Due to related parties.....	58,000	9,958	3,081,750	2,432,729
Total.....	920,023	1,345,552	3,286,161	2,432,729

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our amount due to the Controlling Shareholders was RMB862.0 million, RMB1,335.6 million, RMB204.4 million and zero, respectively. These amounts were non-trade in nature, and were unsecured, interest-free and payable on demand. The RMB473.6 million increase in the amount due to the Controlling Shareholders as of December 31, 2013 compared to the prior year mainly related to advances from the Controlling Shareholders to fund our construction of production facilities and purchases of production lines. The RMB1,131.2 million decrease in our amount due to the Controlling Shareholders as of December 31, 2014 compared to the prior year was mainly because of our repayment of part of the advances from the Controlling Shareholders.

As of December 31, 2012, 2013 and 2014 and June 30, 2015, our amount due to related parties other than the Controlling Shareholders was RMB58.0 million, RMB10.0 million, RMB3,081.8 million and RMB2,432.7 million, respectively. Such related parties are wholly-owned subsidiaries of the Controlling Shareholders. These amounts were non-trade in nature, and were unsecured, interest-free and payable on demand. The RMB3,071.8 million increase in the amount due to related parties other than the Controlling Shareholders as of December 31, 2014 compared to the prior year was mainly because Fujian Dali became a related party on December 31, 2014 and we incurred RMB3,081.8 million of amount due to related parties, including RMB2,575.6 million for purchases of operating subsidiaries, operating assets and working capital from Fujian Dali on December 31, 2014 as part of the Reorganization and RMB506.2 million as non-trade payables to Fujian Dali as a result of the Reorganization. The decrease in amount due to related parties as of June 30, 2015 compared to December 31, 2014 was primarily because we repaid an amount due to related parties of RMB649.0 million to Fujian Dali using cash flows from our operating activities. Please see the section headed “History, Development and Reorganization—Reorganization” for further information on the Reorganization. We have repaid all these amounts due to the Controlling Shareholders and other

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related parties. As part of these repayment efforts, we borrowed three one-year term entrusted loans in the aggregate principal amount of RMB1.5 billion and at the interest rate of 4.365% from a third-party wealth management company through a commercial bank on August 7, 2015. We have used the proceeds of these loans to pay part of the amounts due to related parties incurred from our purchases of operating subsidiaries, operating assets and working capital from Fujian Dali as part of the Reorganization.

In addition, we provided an entrusted loan to a related party and received interest income of RMB3.4 million from a related party in 2014. This loan was distributed to our Controlling Shareholders as of December 31, 2014 as part of the Reorganization. As part of the Reorganization, certain of our then properties and prepaid land lease payments were retained by Fujian Dali. We leased all those properties and land use rights from Fujian Dali starting from January 2015. We provided an interest-free non-trade advance to Hubei Dali Estate Co., Ltd., a related party, in June 2015, which was repaid to us in July 2015. For more information on our related party transactions, please see Note 36 to “Appendix I—Accountants’ Report” to this prospectus.

The Directors confirm that all related party transactions during the Track Record Period as referred to in Note 36 to “Appendix I—Accountants’ Report” to this prospectus were entered into on normal commercial terms and except for the transactions disclosed in the section headed “Connected Transaction,” all other related party transactions that were non-trade in nature will be discontinued after Listing.

Capital Expenditures

The following table sets forth our capital expenditures for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000) (unaudited)	RMB ('000)
Allocated capital expenditures:					
Food segment.....	228,297	251,781	266,782	71,816	73,999
Beverage segment	617,863	568,164	486,646	258,573	117,731
Subtotal	846,160	819,945	753,428	330,389	191,730
Unallocated capital expenditures ..	328,240	162,308	32,627	23,979	71,613
Total capital expenditures	1,174,400	982,253	786,055	354,368	263,343

Our capital expenditures during the Track Record Period comprised expenditures on property, plant and equipment, intangible assets and prepaid land lease payments. These related primarily to our production facilities at Henan Dali, Guangdong Dali, Jiangsu Dali and Nanchang Dali that went into operation in 2012, our production facilities at Hebei Dali that went into operation in 2014 and our production facilities at Shaanxi Dali that went into operation in the first quarter of 2015, as well as for newly purchased production lines for both our food and beverage segments. During the Track

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Record Period, we financed our capital expenditure primarily with cash flows generated from our operating activities, as well as amounts due to the Controlling Shareholders. The table below sets forth our projects requiring capital expenditures as of September 30, 2015, the capital expenditures made for these projects through September 30, 2015 and the expected capital expenditures for these projects from October 1, 2015 to December 31, 2015, based on our experience, management's estimate and our internal budget:

Project	Capital expenditures made through September 30, 2015 (RMB'000)	Expected capital expenditures from October 1 to December 31, 2015 (RMB'000)
Shaanxi Dali production facility	76,750	16,709
Xiamen Dali office building	48,922	43,212
Shenyang Dali production facility	45,358	—
Purchases of equipment.....	70,053	80,941
Total	<u>241,084</u>	<u>140,862</u>

Our expected capital expenditures may vary from the amounts actually expended for a variety of reasons, including changes in market conditions and other factors. We plan to finance these capital expenditures mainly with cash flows generated from operating activities and proceeds from the Global Offering.

Capital Commitments and Operating Lease Commitments

The following tables sets forth our capital commitments at the dates indicated:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Contracted, but not provided for:				
Property, plant and equipment.....	<u>330,446</u>	<u>510,580</u>	<u>319,085</u>	<u>229,436</u>

Our capital commitments during the Track Record Period were primarily for the construction of certain production facilities and purchases of production lines. We plan to finance our capital commitments with cash flows generated from operating activities and proceeds from the Global Offering.

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The following table sets forth our future minimum lease payments under non-cancellable operating lease payables:

	As of December 31,			As of June 30,
	2012	2013	2014	2015
	RMB ('000)	RMB ('000)	RMB ('000)	RMB ('000)
Within one year	—	—	—	17,039
In the second to fifth years, inclusive ..	—	—	—	68,155
After five years.....	—	—	—	76,675
Total.....	—	—	—	161,869

The operating lease commitments related to our lease of certain properties and land in China from Fujian Dali. This lease has a term of ten years.

Indebtedness

Except for amounts due to the Controlling Shareholders and amounts due to related parties, we did not have any borrowings as of December 31, 2012, 2013 and 2014. We had a short-term non-interest-bearing borrowing of RMB5.0 million as of June 30, 2015, which was provided to us by a local government authority in May 2015 for working capital purposes. We secured this borrowing with plant and machinery that had a carrying value of RMB8.7 million as of June 30, 2015. We borrowed three one-year term entrusted loans in the aggregate principal amount of RMB1.5 billion and at the interest rate of 4.365% from a third-party wealth management company through a commercial bank on August 7, 2015. We have used the proceeds of these loans to pay part of the amounts due to related parties incurred from our purchases of operating subsidiaries, operating assets and working capital from Fujian Dali as part of the Reorganization. The agreements for these entrusted loans contain standard terms, conditions and covenants that are customary for commercial bank entrusted loans in China, including restricting us from making mergers, acquisitions, divisions or other material reorganization, changing our senior management, or incurring material indebtedness. As of the Latest Practicable Date, we were not in default of these covenants that could cause any material adverse impact on our business operations. As of the Latest Practicable Date of this prospectus, we did not have any further plan for material external debt financing. Our ability to obtain adequate external financing will depend on a number of factors, including our financial performance and results of operations, as well as factors beyond our control.

Statement of Indebtedness

As of September 30, 2015, other than as disclosed in this prospectus, we did not have any outstanding debt securities, charges, mortgages, or other similar indebtedness, hire purchase and finance lease commitments, any guarantees or other material contingent liabilities, or other banking facilities. Since September 30, 2015, there has been no material adverse change in our indebtedness.

FINANCIAL INFORMATION

OTHER KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2012	2013	2014	2014	2015
				(unaudited)	
Gross profit margin ⁽¹⁾	16.5%	20.2%	26.8%	26.2%	33.4%
Net profit margin ⁽²⁾	6.4%	9.3%	13.9%	14.0%	17.8%
Return on equity ⁽³⁾	19.9%	30.3%	90.6%	N/A ⁽⁴⁾	N/A ⁽⁴⁾
Return on assets ⁽⁵⁾	11.1%	17.0%	28.9%	N/A ⁽⁴⁾	N/A ⁽⁴⁾

	As of December 31,			As of June 30,
	2012	2013	2014	2015
Current ratio ⁽⁶⁾	0.73	0.68	0.33	0.67
Quick ratio ⁽⁷⁾	0.27	0.33	0.15	0.51

Notes:

- (1) Equals gross profit divided by revenue and multiplied by 100%.
- (2) Equals profit for the period divided by revenue and multiplied by 100%.
- (3) Equals profit for the period divided by the average of the beginning and ending total equity for that period and multiplied by 100%.
- (4) This semi-annual number is not meaningful as it is not comparable to the annual numbers.
- (5) Equals profit for the period divided by the average of the beginning and ending total assets for that period and multiplied by 100%.
- (6) Equals current assets divided by current liabilities as at the respective financial period-end date.
- (7) Equals current assets less inventories and divided by current liabilities as at the respective financial period-end date.

Return on equity

Our return on equity increased from 19.9% in 2012 to 30.3% in 2013 primarily due to an RMB498.2 million increase in net profit. Our return on equity further increased to 90.6% in 2014 primarily due to an RMB885.9 million increase in net profit, and an RMB3,482.4 million decrease in total equity as of December 31, 2014 compared to December 31, 2013.

Return on assets

Our return on assets increased from 11.1% in 2012 to 17.0% in 2013, primarily due to an RMB498.2 million increase in net profit. Our return on assets further increased to 28.9% in 2014, primarily due to an RMB885.9 million increase in our net profit.

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Current ratio

Our current ratio decreased from 0.73x as of December 31, 2012 to 0.68x as of December 31, 2013, primarily because we had an RMB473.6 million increase in amount due to the Controlling Shareholders and an RMB114.3 million decrease in inventories. Our current ratio further decreased to 0.33x as of December 31, 2014, primarily because in 2014 we incurred RMB3,081.8 million in amount due to related parties, including RMB2,575.6 million for purchasing operating subsidiaries, operating assets and working capital from Fujian Dali, which was excluded from our consolidated group on December 31, 2014 as part of our Reorganization, and RMB506.2 million as non-trade payables to Fujian Dali, and we had dividends payable to Fujian Dali of RMB1,125.8 million as a result of our Reorganization. Our current ratio increased to 0.67x as of June 30, 2015 primarily because we had significant net cash inflows from our operating activities.

Quick ratio

Our quick ratio increased from 0.27x as of December 31, 2012 to 0.33x as of December 31, 2013, primarily due to an RMB258.4 million increase in cash and cash equivalents and an RMB141.6 million increase in trade receivables, offset in part by an RMB473.6 million increase in amount due to the Controlling Shareholders. Our quick ratio decreased to 0.15x as of December 31, 2014, primarily because in 2014 we incurred RMB3,081.8 million in amount due to related parties, including RMB2,575.6 million for purchasing operating subsidiaries, operating assets and working capital from Fujian Dali and RMB506.2 million as non-trade payables to Fujian Dali, and we had dividends payable to Fujian Dali of RMB1,125.8 million as a result of our Reorganization. Our quick ratio increased to 0.51x as of June 30, 2015 primarily because we had significant net cash inflows from our operating activities.

WORKING CAPITAL

Our Directors believe that, after taking into account the financial resources available to us, including internally generated funds, our available credit facilities and the estimated net proceeds of the Global Offering, we have sufficient working capital for our present requirements for at least the next 12 months from the date of this prospectus.

After due consideration and discussions with the Company's management and based on the above and the assumption that there is no material change in the composition and trend of our capital expenditure, the Joint Sponsors have no reason to believe that the Company cannot meet the working capital requirements for the 12 month period from the date of this prospectus.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we did not enter into any material off-balance sheet transactions.

MARKET RISK DISCLOSURE

We are exposed to various types of market risk, including foreign currency risk, credit risk and liquidity risk. Please see the paragraph headed “—Description of Selected Income Statement Line Items—Cost of Sales” in this section for a sensitivity analysis regarding the impact of hypothetical

FINANCIAL INFORMATION

fluctuations in our average unit purchase prices for certain of our major raw materials on our net profit during the Track Record Period. Our Directors confirm that, since June 30, 2015, there has been no material adverse change in our financial or trading position or prospects and no event has occurred that would materially affect the information shown in “Appendix I—Accountants’ Report” to this prospectus.

Foreign Currency Risk

We are exposed to risk resulting from fluctuation of foreign exchange rates. Our businesses are located in China, substantially all of our business transactions are conducted in RMB, and substantially all of our assets and liabilities are denominated in RMB except for bank balances denominated in foreign currencies as disclosed in Note 23 to “Appendix I—Accountants’ Report” to this prospectus. As of December 31, 2012, 2013 and 2014 and June 30, 2015, we were not subject to any significant foreign currency risk.

Credit Risk

We do not have any significant concentrations of credit risk. The carrying amounts of cash and short-term deposits and trade and other receivables included in our consolidated financial statements represent our maximum exposure to credit risk in relation to our financial assets. As at December 31, 2012, 2013 and 2014 and June 30, 2015, all of our pledged deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

Liquidity Risk

We are exposed to liquidity risk. We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both our financial instruments and financial assets (such as trade receivables) and our projected cash flows from operations.

We manage our capital structure and make adjustments to it, in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, we may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. We are not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Track Record Period.

DIVIDEND POLICY

Chinese laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which may differ from generally accepted accounting principles in other jurisdictions, including HKFRSs. Some of our subsidiaries in China, which are foreign-invested enterprises, set aside part of their net profit as statutory reserves, in accordance with the requirements of relevant Chinese laws and the provisions of their respective articles of association. These portions of our subsidiaries’ net profits are not available for distribution as cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any

FINANCIAL INFORMATION

restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries and associated companies may enter into in the future. Since we rely on our Chinese subsidiaries' dividends as the source of funds to pay dividends, these restrictions may limit or completely prevent us from paying dividends.

Any declaration and payment, as well as the amount of dividends, will be subject to our Articles of Association and the Cayman Companies Law. Our Shareholders in general meetings may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend may be declared or paid except out of our profits or reserves set aside from profits in our Directors' discretion. Dividends may also be declared and paid out of our share premium account or any other fund or account that can be authorized for such purpose in accordance with the Cayman Companies Law and our Articles of Association.

Our subsidiaries declared dividends of RMB41.2 million, RMB600.0 million and RMB160.0 million to their then shareholders in 2012, 2013 and 2014, respectively. We have settled all these dividends payable. Any future declaration of dividends may or may not reflect our prior declarations of dividends and any dividend recommendation will be at the discretion of our Board, subject to Cayman Companies Law. We may declare dividends in the future after taking into account our results of operations, our total equity, our business conditions, strategies or needs for future expansions, our capital expenditure needs, dividend paid to us by our subsidiaries, impact of the dividend distribution on our working capital and financial position, and other factors as our Directors may deem relevant at such time. Subject to the above limitations, our Directors expect that, in the future, we may pay dividends from time to time in an aggregate amount of approximately 30% of profits attributable to the equity holders of our Company.

LISTING EXPENSES

We incurred approximately RMB22.5 million of listing expenses during the Track Record Period, among which RMB3.4 million was recorded as prepayments and RMB19.1 million was recorded as expenses. We expect to incur approximately an additional RMB218.0 million of listing expenses after the Track Record Period, of which approximately RMB44.3 million will be recognized as expenses in the consolidated statements of profit or loss for the year ending December 31, 2015 and the remaining (predominantly related to underwriting commission expenses, which will be fully capitalized) will be capitalized after the Listing.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at June 30, 2015 as if the Global Offering had taken place on that date.

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This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2015 or any subsequent dates, including following the Global Offering.

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB in million (Note 1)	RMB in million (Note 2)	RMB in million	RMB (Note 3)	HK\$ equivalent (Note 4)
Based on an offer price of					
HK\$5.00 per Share	3,190.8	6,711.6	9,902.4	0.72	0.88
Based on an offer price of					
HK\$6.15 per Share	3,190.8	8,271.0	11,461.8	0.84	1.02

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2015 is extracted from “Appendix I—Accountants’ Report” to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as of June 30, 2015 of RMB3,192.0 million less intangible assets as of June 30, 2015 of RMB1.2 million.
2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$5.00 or HK\$6.15 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.
3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 13,694,117,500 Shares are in issue assuming the Global Offering has been completed on June 30, 2015 and an Offer Price of HK\$5.00 per Share, being the low end of the Offer Price range, and 13,694,117,500 Shares are in issue assuming that the Global Offering has been completed on June 30, 2015 and an Offer Price of HK\$6.15 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.81929.
5. No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2015.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

Our Directors have confirmed that as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure required under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the Listing of the Shares on the Stock Exchange.

NO MATERIAL ADVERSE CHANGE

The Directors confirm that there has been no material adverse change in our financial or trading position of our Group since June 30, 2015 and no event had occurred since June 30, 2015 that would materially and adversely affect the information in “Appendix I—Accountants’ Report” to this prospectus.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

OVERVIEW

Immediately after the completion of the Global Offering, Divine Foods will directly own 11,640,000,000 Shares, representing approximately 85.0% of our outstanding issued share capital if the Over-allotment Option is not exercised, or approximately 83.5% of our outstanding issued share capital if the Over-allotment Option is exercised in full. Divine Foods is held as to 50% by Divine Foods-1, as to 10% by Divine Foods-2 and as to 40% by Divine Foods-3 respectively, which in turn are legally and beneficially wholly-owned by Mr. Xu, Ms. Chen and Ms. Xu separately. The Xu's Family will exercise approximately 85.0% voting rights of the Company immediately after the completion of the Global Offering if the Over-allotment Option is not exercised.

As a result, Divine Foods, Divine Foods-1, Divine Foods-2, Divine Foods-3 and the Xu's Family are considered as our Controlling Shareholders immediately after the Global Offering.

Our Controlling Shareholders and the Directors confirm that they do not have any interest in a business which competes with or is likely to compete with our business, whether directly or indirectly, or would otherwise require disclosure under Rule 8.10 of the Listing Rules.

OPERATIONAL INDEPENDENCE

We do not rely on our Controlling Shareholders for any significant amount of our revenue, product development, staffing or marketing and sales activities. We have our own headcount of employees for our operations and independently manage our human resources. Our Group owns all licenses, trademarks or licenses to use the trademarks and other intellectual property rights which are required for our Group to carry on its business. Please see the section headed "Connected Transaction—Continuing Connected Transactions—Exempt Continuing Connected Transactions—Trademark License Agreement" in this prospectus for further details of the trademark license.

MANAGEMENT INDEPENDENCE

Our Board consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. All members of the Xu's Family are the directors of Divine Foods. Each of Mr. Xu, Ms. Chen and Ms. Xu acts as the sole director of Divine Foods-1, Divine Foods-2 and Divine Foods-3 respectively. Each of Divine Foods, Divine Foods-1, Divine Foods-2 and Divine Foods-3 is an investment holding company with no substantial business activities. The executive management team of our Group is led by Mr. Xu, our executive Director and Chairman, and the other executive Directors, who are supported by a team of senior management and all of the members of our senior management have been managing the business of our Group throughout the Track Record Period. Each of our senior management possesses relevant management and/or industry-related experience to act as such. Please see the section headed "Directors and Senior Management" in this prospectus for further details of their management experience.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

We believe that the Directors and members of the senior management are able to perform their roles in our Company independently and that our Company is capable of managing our business independently from our Controlling Shareholders for the following reasons:

- (i) in the event of a conflict of interest arising out of any transactions to be entered into by our Group, any Directors with a conflicting interest shall abstain from voting in respect of such transactions and shall not be counted in forming quorum at the relevant Board meetings;
- (ii) our three independent non-executive Directors have extensive experience in different areas and have been appointed in accordance with the requirements under the Listing Rules to ensure that the decision of the Board are made only after due consideration of independent and impartial opinions; and
- (iii) each of our Directors is aware of his or her fiduciary duties as a Director, which require, among other things, that he acts for our Company's benefits and best interests and does not allow any conflict between his duties as a Director and his personal interests.

FINANCIAL INDEPENDENCE

Our Group has its own financial management system and ability to operate independently of the Controlling Shareholders from a financial perspective. Our Directors are of the view that our Group does not unduly rely on advances from our Controlling Shareholders or their respective associates for our business operations. As of December 31, 2012, 2013 and 2014 and June 30, 2015, our amount due to the Xu's Family and their controlled entities (rather than our Group) were approximately RMB920.0 million, RMB1,345.6 million, RMB3,286.2 million and RMB2,432.7 million, respectively. These amounts were non-trade in nature, and were unsecured, interest-free and payable on demand. All the payables due to any of the Xu's Family and their controlled entities (rather than our Group) have been fully settled prior to the Listing.

Please see the section headed "Financial Information—Liquidity and Capital Resources—Related Party Transactions" in this prospect for further details.

Our Directors believe that our Group is capable of obtaining financing from external sources without reliance on any guarantee or security provided by our Controlling Shareholders. Furthermore, our Group has its own finance and audit department and has established its own financial management system independent of our Controlling Shareholders. Our Group has its own bank account, makes its tax registrations and has employed a sufficient number of financial accounting personnel.

Accordingly, our Directors consider that our Group is capable of operating independently from a financial perspective.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

NON-COMPETITION UNDERTAKING

In order to ensure that direct competition does not develop between us and the activities of our Controlling Shareholders, each of our Controlling Shareholders has agreed to provide a non-competition undertaking in our favor, which is described below.

Each of our Controlling Shareholders has entered into the deed of non-competition in favor of our Company, pursuant to which each of our Controlling Shareholders has undertaken to our Company (for itself and for the benefit of its subsidiaries) that they would not, and they would use their best endeavors to procure that their associates (except any members of our Group) shall not, whether directly or indirectly (including through any body corporate, partnership, joint venture or other contractual arrangement) or as principal or agent, and whether on their own account or with each other or in conjunction with or on behalf of any person, firm or company or through any entities (except in or through any member of our Group), carry on, engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business which is in competition, directly or indirectly, with the business of any member of our Group (the “Restricted Business”).

The above undertaking does not preclude our Controlling Shareholders from having an aggregate interest in:

- (a) not more than 5% of the issued shares in any company engaging any Restricted Business (the “Subject Company”) which is or whose holding company is listed on any recognized exchange; or
- (b) not more than 5% of the Subject Company’s combined turnover or combined assets, as shown in the Subject Company’s latest audited accounts; provided that there is a holder (with its associates where appropriate) with a larger shareholding in the Subject Company than the aggregate shareholding held by any of our Controlling Shareholders and/or his or her or its associates and the total number of representatives of any of our Controlling Shareholders on the board of directors of the Subject Company is not significantly disproportionate in relation to his or her or its shareholding in the Subject Company.

If any investment or other business opportunity relating to our Business (“Business Opportunity”) is identified by any of our Controlling Shareholders, they shall refer such Business Opportunity to our Company and shall not pursue such Business Opportunity unless our Directors or a board committee declines the Business Opportunity.

Pursuant to the deed of non-competition, the above restrictions would only cease to have effect on the earliest of the date on which our Controlling Shareholders cease to hold directly or indirectly in aggregate 30% or more of the entire issued share capital, or otherwise cease to be Controlling Shareholders or the Shares cease to be listed and traded on the Stock Exchange.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Further, the independent non-executive Directors will review, on an annual basis, the compliance of our Controlling Shareholders with the deed of non-competition (in particular, the right of first refusal relating to any Business Opportunity) and our Company will disclose decisions on matters reviewed by the independent non-executive Directors relating to compliance with and enforcement of the deed of non-competition in our annual report or by way of announcement to the public.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following corporate governance measures to avoid potential conflict of interests and safeguard the interests of our Shareholders:

- (a) compliance with the Listing Rules, in particular, strictly observe any proposed transactions between us and connected persons and comply with the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules where applicable;
- (b) in the event that connected transactions, if any, between our Group and other business in which any Directors or their respective associates had any interest are submitted to the Board for consideration, the relevant interested Director will not be counted in the quorum and will abstain from voting on such matters, and majority votes on such matters, and majority votes by non-conflicted Directors are required to divide on such connected transactions;
- (c) appointment of Guotai Junan Capital Limited as our compliance advisor to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations; and
- (d) appointment of three independent non-executive Directors in order to achieve a balanced composition of executive and non-executive Directors in our Board. The independent non-executive Directors have the qualification, integrity, independence and experience to fulfill their roles effectively. Please see the section headed "Directors and Senior Management" in this prospectus for further details of our independent non-executive Directors.

CONNECTED TRANSACTION

OUR CONNECTED PERSONS

The connected persons of our Company for the purpose under Chapter 14A of the Listing Rules include but do not limit to the Controlling Shareholders and the following companies which are directly or indirectly controlled by the Controlling Shareholders:

- (a) Fujian Dali, owned as to 100% by Mr. Xu, Ms. Chen and Ms. Xu collectively;
- (b) Dali Century Hotel Co., Ltd. (惠安縣達利世紀酒店有限公司) (“Hui’an Hotel”), owned as to 100% by Mr. Xu and Ms. Chen collectively; and
- (c) Hubei Dali Estate Co., Ltd. (湖北達利地產有限公司) (“Hubei Property”), owned as to 100% by Mr. Xu, Ms. Chen and Ms. Xu collectively.

Accordingly, the following transactions with the respective subsidiaries and/or associates of the Controlling Shareholders, which will either continue or take place after the Listing, will constitute connected transactions of our Group under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTION

CONTINUING CONNECTED TRANSACTIONS

Summary Table of Our Continuing Connected Transactions

Nature of Transactions	Applicable Listing Rules	Applicable Waiver Sought	Proposed annual caps		
			For the year ending December 31,		
			2015	2016	2017
			(RMB'000)	(RMB'000)	(RMB'000)
Exempt continuing connected transactions					
Trademark License Agreement	14A.76(1)(a)	Not applicable	Nil	Nil	Nil
Products and Services Mutual Provision Framework Agreement	14A.76(1)(a)	Not applicable			
Revenue to be generated by us from provision of snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, controlled entities and/or associates			160	180	220
Expenditure to be incurred by us for purchase of accommodation and catering services from the hotel business owned by the Xu's Family, controlled entities and/or associates			783	483	519
Non-exempt continuing connected transaction					
Property and Land Leasing Agreement	14A.76(2)(a)	Waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules	17,039	18,743	20,617

CONNECTED TRANSACTION

Exempt Continuing Connected Transactions

The following transactions are made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 0.1% on an annual basis. Under Rule 14A.76(1)(a) of the Listing Rules, the following transactions will be exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Trademark License Agreement

During the Track Record Period, we had been using the trademarks registered in PRC (the "Trademarks") by Fujian Dali, which was the holding company of our PRC subsidiaries before the Reorganization. In anticipation of the Listing, Fujian Dali transferred the entire equity interests in our PRC subsidiaries, together with its business and related assets, including the Trademarks, to Dali (HK) and Dali (PRC) respectively pursuant to the applicable laws. In April 2015, Fujian Dali filed applications with the Trademark Office of the SAIC in respect of the transfers of the relevant Trademarks (the "Trademark Transfers"). The application was acknowledged by the Trademark Office of the SAIC and the Trademark Transfers are expected to be completed by March 2016.

To ensure that our Group will continue to be able to use the Trademarks after completion of the Reorganization and before completion of the Trademark Transfer, our Company and Fujian Dali entered into a trademark license agreement on June 3, 2015 (the "Trademark License Agreement"), pursuant to which Fujian Dali agreed to irrevocably grant our Group an exclusive license, on a royalty-free basis, to use the Trademarks. Fujian Dali undertakes not to use the Trademarks without consent of our Company. The Trademark License Agreement became immediately effective upon signing and will be terminated upon completion of the Trademark Transfer or upon expiration of the registration period of the Trademarks, whichever is earlier.

For more information about these trademarks, please refer to "Appendix IV—Statutory and General Information—B. Further Information about Our Business—2. Intellectual Property Rights of our Group—Trademarks" in this prospectus.

Products and Services Mutual Provision Framework Agreement

Hui'an Hotel has purchased from us snack food and non-alcoholic beverage products for its catering and room services since it commenced operation in 2013 and we also started to use the accommodation and catering services offered by Hui'an Hotel, which is located in close proximity of our headquarter, to accommodate and entertain our employees, business partners and the parties involved in the Global Offering from 2015.

To facilitate the above practices following Listing, our Company and the Xu's Family entered into a products and services mutual provision framework agreement on August 25, 2015 (the "Products and Services Mutual Provision Framework Agreement"), pursuant to which our Company agreed to provide snack food and non-alcoholic beverage products produced by our Group to the hotel business

CONNECTED TRANSACTION

owned by the Xu's Family, their controlled entities and/or associates while the Xu's Family, their controlled entities and/or associates agreed to provide accommodation and catering services of their hotel business to us. The principal terms of the Products and Services Mutual Provision Framework Agreement are as follows:

- (a) the Products and Services Mutual Provision Framework Agreement is for a term commencing from the Listing Date and ending on December 31, 2017;
- (b) the Xu's Family, their controlled entities and/or associates shall provide the relevant accommodation and catering services to our Group on prevailing market terms; and
- (c) the parties and their respective controlled entities, subsidiaries and/or associates shall enter into separate contracts to govern the underlying transactions according to the principles and conditions as set out in the Products and Services Mutual Provision Framework Agreement.

Pricing

In accordance with the Products and Services Mutual Provision Framework Agreement, we shall provide snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, their controlled entities and/or associates, and the hotel business owned by the Xu's Family, their controlled entities and/or associates shall provide accommodation and catering services to us at a price determined based on the market price, which refers to:

Continuing Connected Transactions	Pricing Policy
Provision of snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, their controlled entities and/or associates	the same prices as we offer to distributors who are independent third parties in the same areas or vicinities in the ordinary and usual course of business.
Purchase of accommodation and catering services from the hotel business owned by the Xu's Family, their controlled entities and/or associates	the prices that are quoted on the hotel menu, subject to any discounts and promotions then available to the general public, or on the same commercial terms in the ordinary and usual course of business, if more favorable, as other comparable hotels in vicinity of the area where the Xu's Family carry out their hotel business.

Payment and Price Review

To implement the transactions contemplated under the Products and Services Mutual Provision Framework Agreement, the relevant parties have entered or will enter into separate agreements which specify and record the specific terms, including payment, delivery terms and other operative provisions of those transactions determined in accordance with the Products and Services Mutual Provision Framework Agreement. The payables pursuant to the Products and Services Mutual Provision Framework Agreement are settled on a monthly basis.

CONNECTED TRANSACTION

The terms of the transactions contemplated under the Products and Services Mutual Provision Framework Agreement, including pricing and annual caps, will also be subject to review of our independent non-executive Directors in accordance with the requirements under the Listing Rules.

Historical figures

The historical figures for mutual provision of products and services for the three financial years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 are estimated as follows:

	For the year ended December 31,			For the six months ended
	2012	2013	2014	June 30,
	(RMB'000)	(RMB'000)	(RMB'000)	2015
				(RMB'000)
Revenue				
Revenue generated by us from the provision of snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, their controlled entities and/or associates	Nil	37	74	83
Expenditure				
Expenditure incurred by us for purchase of accommodation and catering services from the hotel business owned by the Xu's Family, their controlled entities and/or associates	Nil	Nil	Nil	212

Hui'an Hotel commenced its operation in 2013. The increases in the revenues generated by us from the provision of snack food and non-alcoholic beverage products from 2013 to June 2015, was primarily resulted from a substantial rise in the sale volume of our herbal tea, energy drinks and mineral water products at Hui'an Hotel.

CONNECTED TRANSACTION

Annual caps

The Directors estimated the aggregate amounts of the revenue to be generated by us from the provision of snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, their controlled entities and/or associates and the expenditure to be incurred by us for the purchase of accommodation and catering services from the hotel business owned by the Xu's Family, their controlled entities and/or associates for the years ending December 31, 2015, 2016 and 2017 as follows:

	For the year ending December 31,		
	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue			
Revenue generated by us from the provision of snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, their controlled entities and/or associates	160	180	220
Expenditure			
Expenditure incurred by us for purchase of accommodation and catering services from the hotel business owned by the Xu's Family, their controlled entities and/or associates.....	783	483	519

In arriving at the proposed annual caps for the revenue to be generated by us from the provision of snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, their controlled entities and/or associates, the Directors have considered the following factors:

- (a) taking into account the higher customer flow and the expected increase in the amount of products consumed in the fourth quarter of the year due to seasonality of hotel business;
- (b) launch of a new beverage product in April 2015 which has been well received by the hotel customers; and
- (c) the possible increase in price for snack food and non-alcoholic beverage products in the next three years, with reference to the inflation rate of the PRC in recent years.

Based on the foregoing, the estimated annual caps for the revenue to be generated by us from the provision of snack food and non-alcoholic beverage products to the hotel business owned by the Xu's Family, their controlled entities and/or associates for the financial years ending December 31, 2016 and 2017 will increase by approximately 12.5% and 22.2% respectively.

CONNECTED TRANSACTION

In arriving at the proposed annual caps for the expenditure to be incurred by us for the purchase of the accommodation and catering services from the hotel business owned by the Xu's Family, their controlled entities and/or associates, the Directors have taken into account the following factors:

- (a) the actual transaction amount for the six months ended June 30, 2015;
- (b) the expected increase in the transaction amount for 2015 due to more visits by the working parties involved in the Global Offering; and
- (c) the number of potential visits of our clients, business partners and investors after Listing in each of the financial years ending December 31, 2016 and 2017.

Non-Exempt Continuing Connected Transaction

The following transaction is made in the ordinary and usual course of business and on normal commercial terms where, as our Directors currently expect, the highest applicable percentage ratio calculated for the purpose of Chapter 14A of the Listing Rules will be more than 0.1% but less than 5% on an annual basis. Under Rule 14A.76(2)(a) of the Listing Rules, the following transaction will be subject to the reporting, announcement and annual review requirements but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Property and Land Leasing Agreement

During the Track Record Period, we had also been using certain properties and land owned by Fujian Dali for general business and ancillary purposes. In order to avoid unnecessary disruptions to our business caused by relocation and enable us to ensure continuity of our operations, our Company and Fujian Dali entered into a property and land leasing agreement on August 25, 2015 (the "Property and Land Leasing Agreement"), which will become effective upon the Listing and will expire on December 31, 2017.

Pursuant to the Property and Land Leasing Agreement, our Company agreed to lease the relevant properties and land in the PRC from Fujian Dali on the following principal terms:

- (a) the properties and land that were leased to us consist of (i) an office building located at Zishan, Linkou, Hui'an, Fujian province and occupying a total gross floor area of approximately 21,578.25 sq.m., and (ii) buildings used for manufacturing workshop, warehouse and workers' dormitory as well as for other ancillary purposes located at Zishan, Linkou, Hui'an, Fujian province and occupying a total gross floor area of approximately 240,824.35 sq.m.;
- (b) the monthly rental prices in respect of the office building and other properties for the year ending December 31, 2015 are RMB10 per sq.m. and RMB5 per sq.m., respectively;
- (c) the rental price shall be reviewed and adjusted from the second year of the duration of the Property and Land Leasing Agreement by reference to the GDP growth for the previous year published by the National Bureau of Statistics of the PRC but in any event such increase in the rental price shall not exceed the relevant GDP growth rate;

CONNECTED TRANSACTION

- (d) our Company shall pay the rental to Fujian Dali on a quarterly basis on or before the 25th day of the last month of the relevant quarter of the year; and
- (e) our Company shall be responsible for all utility charges and other miscellaneous expenses incurred in using the relevant properties and land during the term of the lease, except for national administration fee and property tax that shall be borne by each party in accordance with relevant laws and regulations.

DTZ, an independent property valuer engaged by the Company in connection with the Global Offering, has issued a letter confirming the rental payable under the Property and Land Leasing Agreement is in line with the prevailing market prices of other properties in the vicinity and the current prevailing market rates and the Property and Land Leasing Agreement is made on normal commercial terms after arm's length negotiations between the parties with reference to the prevailing market terms and conditions and on terms that are fair and reasonable and in the interests of our Company and Shareholders as a whole.

Pricing

The rental price under the Property and Land Leasing Agreement is determined as follows:

- (a) the rental price is agreed between the parties following their arm's length negotiations with reference to the prevailing market prices of other properties in the vicinity and the current prevailing market rates; and
- (b) our Company has obtained quotations from independent third parties for similar properties in the vicinity to ensure that the rental price under the Property and Land Leasing Agreement is comparable with the quotations so obtained.

Historical figures

There was no rental payable by our Company or its subsidiaries to Fujian Dali for the years ended December 31, 2012, 2013 and 2014 given Fujian Dali also held our principal business and related assets of our Group prior to the Reorganization. The aggregate amount of the rental price paid by our Company to Fujian Dali for the six months ended June 30, 2015 was RMB8,520,000.

Annual caps

The Directors estimated the aggregate rental expenses payable by our Company for the years ending December 31, 2015, 2016 and 2017 as follows:

	For the year ending December 31		
	2015	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)
Rental expense	17,039	18,743	20,617

CONNECTED TRANSACTION

In arriving at the above proposed annual caps in respect of the lease under the Property and Land Leasing Agreement, the Directors has considered (i) the historical figures as set out above; (ii) the current rental price of other properties in the vicinity and the prevailing market rates at the time when entering into the Property and Land Leasing Agreement; (iii) the steady increase in rental price of other properties in the vicinity and future development of the property market in the PRC; (iv) the estimated GDP growth rates for the two years of 2015 and 2016; and (v) the inflation and improvement of living standards in the PRC over the Track Record Period.

Listing Rules Implications

As the highest applicable percentage ratio as set out in Rule 14.07 of the Listing Rules of the proposed annual caps in respect of the continuing connected transaction contemplated under the Property and Land Leasing Agreement is expected to be more than 0.1% but less than 5% on an annual basis, they will be subject to the reporting, announcement and annual review requirements under Chapter 14A of the Listing Rules but will be exempted from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Waiver Application for Non-exempt Continuing Connected Transaction

The Directors, including the independent non-executive Directors, consider that disclosure and approval of the non-exempt continuing connected transaction described above in full compliance with the Listing Rules would be impracticable and, in particular, would add unnecessary administrative costs to our Company. In addition, the Directors, including the independent non-executive Directors, believe that it is in the interest of our Company to continue with these transactions after the Listing.

As a result, pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange has granted, a waiver from strict compliance with the announcement requirement under Rule 14A.35 of the Listing Rules in respect of this continuing connected transaction, subject to the condition that the annual transaction values shall not exceed their respective estimated annual caps (as stated above).

In addition, the Directors confirm that we will comply with the applicable requirements under Chapter 14A of the Listing Rules and will immediately inform the Stock Exchange if any of the proposed annual caps set out above are exceeded, or when there is a material change in the terms of this transaction.

Confirmation from the Directors

The Directors, including the independent non-executive Directors, are of the view that:

- (a) the continuing connected transaction described above for which a waiver is sought has been entered into and will be carried out in the ordinary and usual course of business of our Group on normal commercial terms, and that the terms of the continuing connected transaction are fair and reasonable and in the interest of our Company and the Shareholders as a whole; and

CONNECTED TRANSACTION

- (b) the proposed annual caps (where applicable) of such continuing connected transaction set out above are fair and reasonable and in the interest of our Company and the Shareholders as a whole.

Confirmation from the Joint Sponsors

The Joint Sponsors have reviewed the relevant information and historical figures prepared and provided by our Company relating to the non-exempt continuing connected transaction above, and have also discussed this transaction with us and obtained various representations from us. Based on the aforementioned due diligence work, the Joint Sponsors are of the view that:

- (a) such non-exempt continuing connected transaction set out above for which a waiver is sought has been entered into in the ordinary and usual course of business of our Group on normal commercial terms, is fair and reasonable and in the interest of the Shareholders as a whole; and
- (b) the proposed annual caps (where applicable) of such non-exempt continuing connected transaction set out above are fair and reasonable and in the interest of the Shareholders as a whole.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid prior to and immediately following the completion of the Global Offering:

As of the Date of this Prospectus

	HK\$
Authorized share capital	
50,000,000,000 Shares	500,000,000
Issued share capital	
10,000 Shares	100

Immediately after Completion of the Global Offering

	HK\$
Shares to be issued under the Capitalisation Issue	
11,999,990,000 Shares	119,999,900
Shares to be issued under the Global Offering	
1,694,117,500 Shares	16,941,175
Total Issued Shares on completion of the Global Offering	
13,694,117,500 Shares	136,941,175

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any shares which may be issued and/or sold pursuant to the exercise of the Over-allotment Option or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKING

The Shares are ordinary shares in the share capital of our Company and rank equally with all Shares upon Listing and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the Listing Date.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. Please see the section headed “Appendix IV—Statutory and General Information—D. Share Option Scheme” in this prospectus for further details of the Share Option Scheme.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with at any time subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, shall not exceed the sum of:

- (i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option); and
- (ii) the nominal amount of our share capital repurchased by our Company (if any) pursuant to the repurchase mandate (as mentioned below).

This general mandate to issue Shares will remain in effect until:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which our Company's next annual general meeting is required to be held under any applicable laws or the Articles; or
- (iii) the variation or revocation of this general mandate by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

Please see the section headed "Appendix IV—Statutory and General Information—A. Further Information about our Group—3. Resolutions of our Shareholders" in this prospectus for further details of this general mandate.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed "Structure of the Global Offering—Conditions of the Hong Kong Public Offering", our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix IV—Statutory and General Information—A. Further Information About Our Group—6. Repurchase of our own Securities" in this prospectus.

SHARE CAPITAL

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which our Company's next annual general meeting is required to be held under any applicable laws or the Articles; or
- (iii) the variation or revocation of this general mandate by an ordinary resolution of our Shareholders at a general meeting, whichever is the earliest.

Please see the section headed “Appendix IV—Statutory and General Information—A. Further Information About Our Group—3. Resolutions of our Shareholders” in this prospectus for further details of this general mandate.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have beneficial interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name of Shareholder	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the Global Offering ⁽¹⁾
Divine Foods	Beneficial owner	11,640,000,000	85%
Divine Foods-1 ⁽²⁾	Interest in controlled corporation	11,640,000,000	85%
Divine Foods-2 ⁽²⁾	Deemed interest as an associate of a substantial shareholder	11,640,000,000	85%
Divine Foods-3 ⁽²⁾	Interest in controlled corporation	11,640,000,000	85%
Mr. Xu ⁽²⁾⁽³⁾	Interest in controlled corporation interest of spouse	11,640,000,000	85%
Ms. Chen ⁽²⁾⁽³⁾	Interest of spouse	11,640,000,000	85%
Ms. Xu ⁽²⁾	Interest in controlled corporation	11,640,000,000	85%

Notes:

- (1) Assuming the Over-allotment Option is not exercised.
- (2) Divine Foods is 50%, 10% and 40% legally owned by Divine Foods-1, Divine Foods-2 and Divine Foods-3 respectively, which in turn are separately wholly-owned by Mr. Xu, Ms. Chen and Ms. Xu respectively.
- (3) Mr. Xu and Ms. Chen are spouses. Accordingly each of Mr. Xu and Ms. Chen is deemed, or taken to be, interested in all Shares and underlying Shares in which their spousal counterpart is interested in for the purpose of the SFO.

Save as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering and assuming that the Over-allotment Option is not exercised, have beneficial interests or short positions in our Shares or underlying Shares, which would be required to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

DIRECTORS AND SENIOR MANAGEMENT

GENERAL

The following table sets forth certain information concerning our Directors and senior management of our Group:

Name	Age	Position/Title	Roles and Responsibility	Date of Appointment	Date of Joining our Group
<i>Executive Directors</i>					
Mr. Xu Shihui	57	Chairman, executive Director and chief executive officer	<ul style="list-style-type: none"> • overseeing the overall business operations, being responsible for making major corporate and operational decisions of our Group and formulating strategic planning of our Group • chairman of the Nomination Committee 	November 4, 2014	1992
Mr. Zhuang Weiqiang	37	executive vice president of our Group and executive Director	<ul style="list-style-type: none"> • being responsible for overall marketing and distribution of products of our Group 	June 14, 2015	1998
Ms. Xu Yangyang, daughter of Mr. Xu Shihui	32	vice president and executive Director	<ul style="list-style-type: none"> • being responsible for making corporate and operational decisions of our Group and managing the day-to-day operation of our Group • member of the Remuneration Committee 	November 4, 2014	2008

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Roles and Responsibility	Date of Appointment	Date of Joining our Group
<i>Non-executive Directors</i>					
Ms. Xu Biying, sister of Mr. Xu Shihui	60	non-executive Director	<ul style="list-style-type: none"> participating in formulating the corporate and business strategic plans of our Group 	June 14, 2015	1992
Ms. Hu Xiaoling	45	non-executive Director	<ul style="list-style-type: none"> participating in formulating the corporate and business strategic plans of our Group and providing advice on investment activities of our Group member of the Audit Committee 	May 4, 2015	2015
<i>Independent non-executive Directors</i>					
Mr. Cheng Hanchuan	62	independent non-executive Director	<ul style="list-style-type: none"> supervising and providing independent judgment to our Board member of the Audit Committee member of the Nomination Committee 	August 25, 2015	2015
Mr. Liu Xiaobin	50	independent non-executive Director	<ul style="list-style-type: none"> supervising and providing independent judgment to our Board member of the Nomination Committee member of the Remuneration Committee 	August 25, 2015	2015
Dr. Lin Zhijun	60	independent non-executive Director	<ul style="list-style-type: none"> supervising and providing independent judgment to our Board chairman of the Audit Committee and the Remuneration Committee 	August 25, 2015	2015

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position/Title	Roles and Responsibility	Date of Appointment	Date of Joining our Group
Senior Management					
Mr. Chen Baoguo, brother of Ms. Chen Liling	45	vice president of our Group in charge of production	<ul style="list-style-type: none"> overseeing and managing overall production activities of our Group, including product research and development and quality control 	November 2010	1992
Mr. Wu Xinchuan	35	chief financial officer	<ul style="list-style-type: none"> overseeing and managing overall finance of our Group 	August 2008	1999
Mr. Huang Zhiqing	49	chief procurement officer	<ul style="list-style-type: none"> supervising and managing procurement of our Group 	June 2008	1993
Mr. Le Zhenqiao	37	head of product research and development department of our Group	<ul style="list-style-type: none"> being responsible for research and development of new products and production technology of our Group and supervising the quality of products of our Group 	May 2007	2003
Mr. Tu Zhiqian	47	general counsel, deputy director of the administration, human resources and general management department and joint company secretary	<ul style="list-style-type: none"> supervising and managing legal and compliance affairs of our Group and company secretarial affairs of our Group 	June 2008	2007

DIRECTORS

The Board currently consists of eight Directors, comprising three executive Directors, two non-executive Directors and three independent non-executive Directors. The functions and duties of the Board include convening shareholders' meetings, reporting on the Board's work at these meetings, implementing resolutions passed in these meetings, determining business and investment plans, formulating our annual budget and final accounts, and formulating our proposals for profit distributions as well as the increase or reduction of registered capital. In addition, the Board is responsible for exercising other powers, functions and duties in accordance with the Articles.

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Xu Shihui (許世輝), aged 57, is the founder of our Group, Chairman, executive Director and chief executive officer of our Company and was appointed as a Director on November 4, 2014. Mr. Xu is responsible for formulating the overall strategic planning and major business decision of our Group. Mr. Xu has been the chairman and the president of Fujian Dali since the establishment of Fujian Dali in 1992 and has served as the chairman of all subsidiaries of our Group since their establishment. Under Mr. Xu's leadership, our business has grown from a local food manufacturing company in Fujian province to a nationwide snack food and non-alcoholic beverage company in China with a diversified multi-brand product portfolio focusing on high-growth product categories. Mr. Xu has accumulated 28 years of experience in food manufacturing industry since he worked as head of factory for Hui'an Succade Factory (惠安蜜餞廠) from 1987 to 1989.

Mr. Xu has been a representative of the eleventh and twelfth National People's Congress of the People's Republic of China (中華人民共和國全國人民代表大會) in 2008 and 2013. Over the years, Mr. Xu has received many awards and accolades acknowledging his contributions to both the food and beverage industry and the society, examples of which are set out in the table below:

Honor/Award	Awarding Body	Date of award granted
Outstanding Contribution Award of China Bakery and Confectionary Industry (中國焙烤食品糖製品工業突出貢獻獎)	China Association of Bakery and Confectionary Industry (中國焙烤食品糖製品工業協會)	May 2013
News Figure of China Food Industry Elite Forum of the 30th Anniversary of the Reform and Opening up (改革開放30週年中國食品行業精英論壇新聞人物)	China Food Industry Elite Summit Organizing Committee (中國食品行業精英峰會組委會)	September 2009
Outstanding Entrepreneur of Fujian Province (福建省突出貢獻企業家)	People's Government of Fujian Province (福建省人民政府)	March 2009
China Charity Award (中華慈善獎) extraordinary contribution award (特別貢獻獎)	Ministry of Civil Affairs of the People's Republic of China (中華人民共和國民政部)	December 2008

Mr. Xu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Mr. Xu is the father of Ms. Xu Yangyang and the brother of Ms. Xu Biying.

Mr. Zhuang Weiqiang (莊偉強), aged 37, was appointed as an executive Director on June 14, 2015. Mr. Zhuang joined our Group in 1998 and has more than 17 years of experience in management with our Group. Mr. Zhuang has been the executive vice president of our Group in charge of overall marketing and distribution of products of our Group since 2006. Prior to this, Mr. Zhuang had been the general manager of Jinan Dali from 2004 to 2006 and the general manager of Chengdu Dali from 2000 to 2004. He had been a financial specialist of Chengdu Dali from 1998 to 2000.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhuang graduated from the continuing education course of Sichuan Agricultural Management Cadre Institute (四川農業管理幹部學院) with a certificate in business administration in January 2007. Mr. Zhuang obtained a professional title as senior economist in Jilin province in January 2010.

Mr. Zhuang is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Ms. Xu Yangyang (許陽陽), aged 32, is the vice president and executive Director of our Company in charge of making corporate and operational decisions and managing the day-to-day operation of our Group. Ms. Xu was appointed as a Director on November 4, 2014. She joined our Group in 2008 and has worked as a director and the vice president of Fujian Dali from 2009 to date and is also the supervisor of various subsidiaries of our Group. With more than 7 years of experience in our Group, Ms. Xu has held various positions in Fujian Dali from July 2008 to date, including the chairman of the labour union, workshop director and deputy factory manager. Outside our Group, Ms. Xu also has various important appointments, including the vice president of Fujian Association of Health Care Products and Cosmetics (福建省保化協會) since September 2012 and the vice president of the fifth session of the Standing Committee of Youth Chamber of Commerce of the Youth Entrepreneurs Association of Quanzhou (泉州市青年企業家協會青年商會) in July 2010. Ms. Xu graduated from Xiamen University (廈門大學) with a bachelor's degree in international economy and trade in 2005.

Awards and recognitions obtained by Ms. Xu are as follows:

Honours/Awards	Issuing Authority	Date of Award Presentation
The Tenth Fujian May Fourth Youth Medal (第十屆福建青年五四獎章)	The Communist Youth League Fujian Committee (共青團福建省委) The Youth Federation of Fujian Province (福建省青年聯合會)	May 2013
Outstanding Woman in Economics of the First Session of Quanzhou City (泉州市首屆傑出經濟女性)	The Municipal Publicity Department of the Chinese Communist Party Quanzhou Committee (中共泉州市委宣傳部), Quanzhou Federation of Trade Unions (泉州市總工會), The Women's Federations of Quanzhou (泉州市婦女聯合會) and Quanzhou Federation of Industry & Commerce (泉州市工商業聯合會)	November 2010

Ms. Xu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Ms. Xu is the daughter of Mr. Xu Shihui.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Directors

Ms. Xu Biying (許碧英), aged 60, was appointed as a non-executive Director on June 14, 2015. With 28 years of experience in the food manufacturing industry, Ms. Xu Biying has been the vice president of our Group, participating in the formulation of the corporate and business plans of our Group, since the establishment of our Group in 1992 until 2010, and has rich experience in the snack food industry and corporate management. Ms. Xu Biying has been assisting Mr. Xu in developing our Company into one of the leading Food and Beverage Companies in China.

Ms. Xu Biying has over 17 years of experience in financial management. Ms. Xu received the Certificate for Qualified Accountant (會計師任職資格證書) from Department of Human Resources and Social Security of Fujian Province (福建省人力資源和社會保障廳) (previously known as the Personnel Department of Fujian Province (福建省人事廳)) in December 1998.

Ms. Xu Biying is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years. Ms. Xu Biying is the sister of Mr. Xu Shihui.

Ms. Hu Xiaoling (胡曉玲), aged 45, was appointed as a non-executive Director on May 4, 2015. Ms. Hu is responsible for providing advice on investment activities of our Group. Ms. Hu joined CDH Investments in 2002 and is currently a managing director of CDH Investments Management (Hong Kong) Limited, which is a Hong Kong company incorporated in accordance with the Business Registration Ordinance of Hong Kong on April 22, 2003. Ms. Hu has been a non-executive director of Belle International Holdings Limited (a company listed on the Stock Exchange, stock code: 1880) since September 2005 and Baroque Japan Limited since August 2013, respectively. Ms. Hu had been a non-executive director of SYSWIN Inc. (a company once listed on the New York Stock Exchange, ticker: SYSW) from November 2008 to August 2013 and SUNAC China Holdings Limited (a company listed on the Stock Exchange, stock code: 1918) from November 2007 to August 2014. Ms. Hu has been a director of Midea Group Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 000333) since August 2012 and Anhui Yingliu Electromechanical Co., Limited (a company listed on the Shanghai Stock Exchange, stock code: 603308) since April 2006, respectively. Ms. Hu has also been a director of Beijing Motie Book Corporation Company since July 2010. Prior to joining CDH Investments Management (Hong Kong) Limited, Ms. Hu had worked at the direct investment department of China International Capital Corporation Limited and Arthur Andersen.

Ms. Hu graduated from Beijing Jiaotong University (北京交通大學), previously known as Northern Jiaotong University (北方交通大學), with a master's degree in Economics and Accounting and a bachelor's degree in Economics. Ms. Hu has also been a fellow member of the Association of Chartered Certified Accountants.

Save as disclosed above, Ms. Hu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

DIRECTORS AND SENIOR MANAGEMENT

Independent Non-executive Directors

Mr. Cheng Hanchuan (程漢川), aged 62, was appointed as an independent non-executive Director on August 25, 2015. Mr. Cheng had been the head of factory of the Hui'an Huiquan Beer Brewery (惠安縣惠泉啤酒廠) from August 1991 to February 1997 and the chairman, vice chairman, director and general manager of Huiquan Brewage Group Inc. Fujian China (福建省惠泉啤酒集團股份有限公司) (now known as Fujian YanJing HuiQuan Brewery Co., Ltd (福建省燕京惠泉啤酒股份有限公司), a company listed on the Shanghai Stock Exchange, stock code: 600573) from January 1997 to August 2013. Mr. Cheng had been the vice chairman of the specialized committee of beer of China Food Industry Association (中國食品工業協會啤酒專業委員會) from March 2008 to May 2013. Mr. Cheng had also been the vice chairman of the seventh session committee of Fujian Federation of Enterprises and Entrepreneurs (福建省企業與企業家聯合會) and Fujian Federation of Industrial Economic (福建省工業經濟聯合會) from April 2012 to May 2013.

Mr. Cheng graduated from Fujian Normal University (福建師範大學) with a diploma in Business Administration in July 2010 and was awarded the professional qualification as a senior economist by the Personnel Department of Fujian Province (福建省人事廳) (now known as “Department of Human Resource and Social Security of Fujian Province” (福建省人力資源及社會保障廳) in August 1997. Mr. Cheng has been an expert who enjoys the special allowance of the State Council since June 2000.

Save as disclosed above, Mr. Cheng is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Mr. Liu Xiaobin (劉小斌), aged 50, was appointed as an independent non-executive Director on August 25, 2015. Mr. Liu has been engaged in teaching Chinese in Xiamen University (廈門大學) since September 1989. He was an assistant professor of Chinese language and literature from August 2007 to July 2010, and currently holds the position of a lecturer at the Overseas Education College of Xiamen University.

Mr. Liu graduated from Xiamen University in July 1986 with a bachelor's degree in Arts (Chinese Literature) and Northwest University in China in June 1989 with a master's degree in Arts (Classic Chinese Literature).

Mr. Liu is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

Dr. Lin Zhijun (林志軍), aged 60, was appointed as an independent non-executive Director on August 25, 2015. Dr. Lin has also been an independent non-executive director of Springland International Holdings Limited (a company listed on the Stock Exchange, stock code: 1700) since February 2008, of Sinotruk (Hong Kong) Limited (a company listed on the Stock Exchange, Stock Code: 3808) since February 2007 and of China Everbright Limited (a company listed on the Stock Exchange, stock code: 0165) since September 2005. Dr. Lin was an independent non-executive director of Zhengzhou Coal Mining Machinery Group Company Limited (a company listed on the Stock Exchange, stock code: 0564) from February 2012 to April 2014. Dr. Lin is the Dean of the School of Business in Macau University of Science and Technology. From August 1998 to January 2015, he was a Professor and Head of the Department of Accountancy and Law in Hong Kong Baptist

DIRECTORS AND SENIOR MANAGEMENT

University. Prior to these positions, Dr. Lin also worked for The University of Hong Kong as a visiting professor, the Faculty of Management of Lethbridge University in Canada as a tenured professor and Xiamen University (廈門大學). Dr. Lin worked at the Toronto office of an international accounting firm from December 1982 to November 1983.

Dr. Lin holds a master's degree in Science in Accounting from University of Saskatchewan in Canada in October 1991 and a Doctorate's degree in Economics (Accounting) from Xiamen University in December 1985. Dr. Lin is also a member of the American Institute of Certified Public Accountants since August 1995, the Chinese Institute of Certified Public Accountants since June 1995 and the Washington Institute of Certified Management Accountants since May 1995. He is a member of various educational accounting associations including the American Accounting Association.

Save as disclosed above, Dr. Lin is not and has not been a director of any other listed companies in Hong Kong or overseas in the past three years.

GENERAL

Save as disclosed above, each of our Directors has confirmed that:

- (i) he or she does not and has not held any other directorships in listed companies during the three years immediately prior to the date of this prospectus;
- (ii) there is no other information in respect of such Director to be disclosed pursuant to Rule 13.51(2) of the Listing Rules; and
- (iii) there is no other matter that needs to be brought to the attention of our Shareholders.

None of the Directors has any interests in a business apart from our Group's business which competes or is likely to compete, directly or indirectly, with our Group's business and would require disclosure under Rule 8.10 of the Listing Rules.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, are as follows:

Mr. Chen Baoguo (陳寶國), aged 45, is the vice president of our Group. Mr. Chen is responsible for overseeing and managing overall production activities and quality control of our Group. With over 23 years of experience in our Group, Mr. Chen has served in Fujian Dali as the head of production technology development department from 1992 to 2010. Mr. Chen is the brother of Ms. Chen.

Mr. Chen graduated from the Professional Online Education Program in Food Science and Engineering (Bakery) of Jiangnan University (江南大學) in 2011. Mr. Chen was awarded the professional qualification of Grade 1 Senior Technician by the Ministry of Labour and Social Security of the PRC (中華人民共和國勞動和社會保障部) in December 2008. Mr. Chen was awarded the Certificate of Professional Technology Training by the Technology Training Center of the China Food

DIRECTORS AND SENIOR MANAGEMENT

Industry Association (中國食品工業協會技術培訓中心) in December 2007, and was appointed as a member of the Expert Committee of the China National Food Industry Association (中國食品工業協會專家委員會委員) during the same period. He was awarded the certified qualification of senior baker by the Bakery Food and Confectionary Expert Committee of the Society of Food Science of Shanghai (上海市食品學會) in April 2004.

Mr. Wu Xinchuan (吳欣川), aged 35, is the chief financial officer of our Group and has held the current post since 2008. Mr. Wu is responsible for overseeing and managing overall finance of our Group. With over 15 years of experience within our Group, Mr. Wu had held various positions at our Group from 1999 to 2008, including head of the finance department of our Group, financial director of Jinan Dali, accountant of Quanzhou Dali, and financial specialist of Hubei Dali.

Mr. Wu graduated from the Accounting Department of the School of Modern Distance Education (現代遠程教育學院) of Beijing University of Aeronautics and Astronautics (北京航空航天大學) with a diploma in Accounting in 2015.

Mr. Huang Zhiqing (黃志清), aged 49, is the chief procurement officer of our Group and has held the current post since 2008. Mr. Huang is responsible for supervising and managing the overall purchasing and supply of our Group. With over 22 years of experience within our Group, Mr. Huang had served as the head of the procurement department in our Group from 2006 to 2008, as a purchasing manager in Fujian Dali from 1998 to 2006 and as a purchasing specialist in Fujian Dali from 1993 to 1998.

Mr. Huang was awarded the professional title of senior economist by the Human Resources and Social Security Department of Jilin province (吉林省人力資源和社會保障廳) in 2012.

Mr. Le Zhenqiao (樂振竅), aged 37, is the head of product research and development department of our Group and has held the current post since 2007. Mr. Le is responsible for research and development of new products and supervising the quality control of the products of our Group. With over 12 years of experience within our Group, Mr. Le served as a researcher of technology development and quality control in our Group from 2003 to 2007.

Mr. Le graduated in 2001 from Shaanxi University of Science and Technology (陝西科技大學), previously known as Northwest Institute of Light Industry (西北輕工業學院), with a bachelor's degree in Biochemical Engineering, with a minor in Computer Application and Maintenance. Mr. Le completed the food safety capacity building program organized by the Department of Human Resources and Social Security (人力資源和社會保障部) and China Food Industry Association in 2014. Mr. Le was awarded the professional qualification of Engineer of Biochemistry by the Human Resources and Social Security Department of Fujian Province in 2009. Mr. Le was awarded the Certificate of Professional Qualification in Quality Specialization (質量專業技術人員職業資格證書) by the Ministry of Personnel of the PRC (中華人民共和國人事部) and the AQSIQ in 2005. Mr. Le was engaged by the Committee of Standardization Administration of the PRC (中國國家標準化管理委員會) as a member for the National Committee of Snack Food Technology Standardization (SAC/TC490) (全國休閒食品標準化技術委員會) in 2009 and as a member for the National Committee of Baked Product Technology Standardization (SAC/TC488) (全國焙烤製品標準化技術委員會) in 2004. Mr. Le was awarded the honorary title of National Advanced Worker for Quality Works (全國質量工作先進工作者) by the China Quality Inspection Association (中國質量檢驗協會) in 2014.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Tu Zhiqian (涂志潛), aged 47, has served as a joint company secretary of our Group since June 3, 2015. Mr. Tu joined our Group in 2007 as the general counsel of our Group and the head of human resources department and has held the position as the deputy director of the department of administration, human resources and general management since 2008.

Mr. Tu graduated from Fuzhou University (福州大學) in 2009 with a master's degree in Law, from a distance education program in Tsinghua University (清華大學) in 2005 with a bachelor's degree in Laws and from Dalian Polytechnic University (大連工業大學), previously known as Dalian Institute of Light Industry (大連輕工業學院), in 1989 with a diploma in Industrial Management Engineering. Mr. Tu obtained a practicing certificate in Law in the PRC issued by the Department of Justice of Fujian Province (福建省司法廳) in 2007. Mr. Tu was awarded the Registered Qualification Certificate of Enterprise Legal Advisor (專業法律顧問執業資格證書) jointly issued by the Ministry of Personnel of the PRC, the Commission of State-owned Assets Supervision and Administration of the State Council (國務院國有資產監督管理委員會) and the Ministry of Justice of the PRC in 2005.

None of our senior management has been a director of any listed company in the past three years.

JOINT COMPANY SECRETARIES

Mr. Tu Zhiqian (涂志潛) is a joint company secretary of our Company. Please see the paragraph headed “—Senior Management” in this section for the biographical details of Mr. Tu.

Ms. Cheng Pik Yuk (鄭碧玉), alias Patsy Cheng, aged 57, has served as a joint company secretary of our Company since June 3, 2015. Ms. Cheng is a director of corporate services of Tricor Services Limited (“Tricor”). Ms. Cheng has over 30 years of experience in the corporate secretarial field, providing professional corporate secretarial services to listed companies as well as multi-national, private and offshore companies. She is currently the company secretary / joint company secretary / assistant company secretary of some listed companies on the Stock Exchange.

Ms. Cheng graduated from Hong Kong Polytechnic (now known as Hong Kong Polytechnic University) in 1980 with a higher diploma in Company Secretaryship and Administration. Ms. Cheng is a chartered secretary and a fellow of both of the Hong Kong Institute of Chartered Secretaries (“HKICS”) and The Institute of Chartered Secretaries and Administrators in the United Kingdom. She is a holder of the Practitioner's Endorsement from HKICS. Prior to joining Tricor, Ms. Cheng was a senior manager as well as the departmental manager of company secretarial services at Deloitte Touche Tohmatsu in Hong Kong, provided corporate secretarial and share registration services to companies.

BOARD COMMITTEE

We have established the following committees under our Board of Directors: Audit Committee, Remuneration Committee and Nomination Committee. The committees operate in accordance with their respective terms of reference established by our Board of Directors.

DIRECTORS AND SENIOR MANAGEMENT

Audit Committee

We have established the Audit Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The audit committee consists of three members: two independent non-executive Directors, namely, Dr. Lin Zhijun and Mr. Cheng Hanchuan, and one non-executive Director, namely, Ms. Hu Xiaoling. The chairman of the Audit Committee is Dr. Lin Zhijun. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of our Group.

Remuneration Committee

We have established the Remuneration Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of three members: two independent non-executive Directors, namely, Dr. Lin Zhijun and Mr. Liu Xiaobin, and one executive Director, namely, Ms. Xu Yangyang. The chairman of the Remuneration Committee is Dr. Lin Zhijun. The primary duties of the Remuneration Committee are to evaluate and make recommendations to the Board on the remuneration policy covering the Directors and senior management of our Group.

Nomination Committee

We have established the Nomination Committee with written terms of reference in compliance with the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of three members: two independent non-executive Directors, namely, Mr. Liu Xiaobin and Mr. Cheng Hanchuan, and one executive Director, Mr. Xu Shihui. The chairman of the Nomination Committee is Mr. Xu Shihui. The primary duties of the Nomination Committee are to identify, screen and recommend to the Board appropriate candidates to serve as directors of our Company and to oversee the process for evaluating the performance of the Board.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of salaries, bonuses, contributions to pension schemes, long-term incentives (including share-based compensation), housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. The aggregate amount of compensation (including fees, salaries, bonuses, stock, stock options, contributions to pension schemes, long-term incentives, housing and other allowances) and benefits in kind paid to the Directors for the three years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015 was approximately RMB0.55 million, RMB0.95 million, RMB1.06 million and RMB2.57 million, respectively. The aggregate amount of compensation and benefits in kind paid to the five highest paid individual employees of our Group for the three years ended December 31, 2012, 2013 and 2014, and the six months ended June 30, 2015 was approximately RMB1.13 million, RMB2.02 million, RMB2.26 million and RMB3.62 million, respectively.

Under the arrangements currently in force, we estimate the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2015 to be RMB5.30 million. The executive Directors receive compensation in the form of salaries, bonuses, contributions

DIRECTORS AND SENIOR MANAGEMENT

to pension schemes, long-term incentives, housing and other allowances and benefits in kind subject to applicable laws, rules and regulations. Please see the section headed “Appendix IV—Statutory and General Information—C. Further Information about our Directors and Substantial Shareholders—2. Particulars of Service Contracts” in this prospectus for further details on the executive Directors’ compensation.

The independent non-executive Directors receive fees from our Company. All Directors receive reimbursements from our Company for expenses which are necessary and reasonably incurred for providing services to our Company or executing matters in relation to the operations of our Company and are paid out of the funds of our Company by way of fees for their services as directors such sums (if any) as the Directors may from time to time determine (not exceeding in aggregate an annual sum excluding other amounts payable (e.g. expenses as remuneration for employment) or such larger amount as our Company may by ordinary resolution determine. Save as disclosed above, the Directors are not entitled to receive any other special benefits from our Company. The compensation of the Directors is determined by the Board which, following listing, will receive recommendations from the Remuneration Committee which will take into account applicable laws, rules and regulations.

SHARE OPTION SCHEME

We have adopted the Share Option Scheme. Please see the section headed “Appendix IV—Statutory and General Information—D. Share Option Scheme” in this prospectus for further details of the Share Option Scheme.

COMPLIANCE ADVISOR

We have appointed Guotai Junan Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full fiscal year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

DIRECTORS AND SENIOR MANAGEMENT

CODE ON CORPORATE GOVERNANCE PRACTICES

Our Company has appointed Mr. Xu as both the Chairman and the chief executive officer of our Company. The Board believes that vesting the roles of the Chairman and chief executive officer in the same individual would enable our Company to achieve higher responsiveness, efficiency and effectiveness when formulating business strategies and executing business plans. The Board believes that the balance of power and authority is sufficiently maintained by the operation of the Board, comprising the executive Directors and independent non-executive Directors.

Save as disclosed herein above, as at the Latest Practicable Date, the Directors consider that our Company has fully complied with the applicable code provisions as set out in the Code of Corporate Governance Practices as contained in Appendix 14 to the Listing Rules from the Listing Date.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business—Our Competitive Strategies” in this prospectus for further details of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK\$5.58 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and no exercise of the Over-allotment Option, we estimate that (i) the gross proceeds of the Global Offering that we will receive will be approximately HK\$9,453 million, and (ii) the net proceeds of the Global Offering that we will receive, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering, will be approximately HK\$9,152 million.

If the Over-allotment Option is exercised in full, we estimate that we will receive additional net proceeds of approximately HK\$1,385 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK\$6.15 per Offer Share (being the high end of the Offer Price range stated in this prospectus), assuming the Over-allotment Option is not exercised, we will receive additional net proceeds of approximately HK\$943 million, and assuming the Over-allotment Option is exercised in full, we will receive additional net proceeds of approximately HK\$1,527 million.

If the Offer Price is fixed at HK\$5.00 per Offer Share (being the low end of the Offer Price range stated in this prospectus), assuming the Over-allotment Option is not exercised, the net proceeds we receive will be reduced by approximately HK\$960 million, and assuming the Over-allotment Option is exercised in full, the net proceeds we receive will be reduced by approximately HK\$1,241 million.

We intend to use the net proceeds of the Global Offering, assuming the Over-allotment Option is not exercised, for the following purposes:

- approximately 20%, or HK\$1,830 million, will be used for, development, introduction and promotion of our new products, including improving our research and development capabilities, elevating our market awareness and enhancing our advertising and other promotion efforts in relation to new product launch. As of the Latest Practicable Date, we had 16 food products and six beverage products in our research and development pipeline and expect to launch five to ten new products in 2015 and 2016.
- approximately 20%, or HK\$1,830 million, will be used for the expansion and upgrade of our production capacity and the manufacturing network, of which approximately (i) 15% will be used for construction of new production facilities, including the new food and beverage production facilities in Shenyang, Liaoning province; and (ii) 5% will be used for increasing production capacity through introducing additional automated production lines and further upgrade our production technology to consistently deliver more high quality products and reduce manufacturing costs.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 20%, or HK\$1,830 million, will be used for enhancing our presence in the sales channels and promoting our brands, of which approximately (i) 10% will be used for promoting our brands through different channels in particular modern retail, specialty and catering channels; (ii) 5% will be used for strengthening our sales capability by expanding sales teams; (iii) 5% will be used for implementing a more comprehensive information technology system and developing our e-commerce channel.
- approximately 30%, or HK\$2,746 million, will be used for potential future acquisition and business cooperation that will help us to consolidate our position in the overall food and beverage industry by leveraging on our extensive nationwide sales and distribution network. We will selectively pursue potential opportunities including entering new product categories, enhancing our production technology, increasing our research and development capabilities and expanding our sales and distribution network. As of the Latest Practicable Date, we had not engaged in any negotiations or entered into any letter of intent or any definitive and finalized understanding, commitment or agreement, legally binding or not, in connection with any business acquisitions nor had we commenced any due diligence process in relation to the same. We intend to explore acquisition targets that can enable us to further penetrate into and increase our share in the market or that can enhance our potentials to launch new product categories. We may identify potential targets through internal market research and/or referral by our business partners with a focus on those which are established, profitable, sustainable and complementary to our Group's business and in line with our Group's business strategies from time to time. Currently, we do not set any monetary thresholds for potential targets. We may resort to equity financing or external borrowing for further funds as and when needed. Our Board will review and, if it thinks fit, approve the relevant acquisitions proposals and will also ensure that our acquisitions and business cooperations will be made in compliance with applicable laws, regulations and the Listing Rules.
- approximately 10%, or HK\$915 million, will be used for our working capital and other general corporate purposes.

If the Over-allotment Option is exercised in full, our Directors intend to apply the net proceeds from the issue of the additional Shares on a pro rata basis in accordance with the allocation above.

In the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the proposed Offer Price range, we will adjust the allocation of net proceeds on a pro rata basis.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that those net proceeds will be deposited into interest-bearing bank accounts and/or money market instruments.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with, amongst others, three cornerstone investors (the “**Cornerstone Investors**”, and each a “**Cornerstone Investor**”), who agreed to subscribe, or cause their respective designated entities to subscribe, for such number of our Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of approximately US\$305 million (equivalent to approximately HK\$2.36 billion) (the “**Cornerstone Placing**”) at the Offer Price.

Assuming an Offer Price of HK\$5.00 per Share (being the low end of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors would be approximately 472,158,000, representing approximately (i) 27.87% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 3.45% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (iii) 3.39% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK\$5.58 per Share (being the mid-point of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors would be approximately 423,079,500, representing approximately (i) 24.97% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 3.09% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (iii) 3.03% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is exercised in full. Assuming an Offer Price of HK\$6.15 per Share (being the high end of the Offer Price range set out in this prospectus), the total number of Shares subscribed by the Cornerstone Investors would be approximately 383,867,000 representing approximately (i) 22.66% of the Offer Shares, assuming that the Over-allotment Option is not exercised; (ii) 2.80% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is not exercised; and (iii) 2.75% of the Shares in issue upon completion of the Global Offering, assuming that the Over-allotment Option is fully exercised.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Shares in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial

CORNERSTONE INVESTORS

shareholder of the Company. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus.

To the best knowledge of our Company, and save as that Arisaig Asia Consumer Fund Limited (“**Arisaig Asia**”), Arisaig Global Emerging Markets Consumer Fund (Singapore) Pte. Ltd. (“**Arisaig Global**”) and Arisaig Funds plc (“**Arisaig Global UCITS**”) are associates of each other given they are under common ultimate control as disclosed below, each of the Cornerstone Investors is an independent third party and independent of other Cornerstone Investors, not our connected person or an existing shareholder of our Group or a close associate (as defined under the Listing Rules) of our Group.

Details of the allocations to the Cornerstone Investors will be disclosed in the announcement of results of allocations in the Hong Kong Public Offering to be published on or about November 19, 2015.

CORNERSTONE INVESTORS

We set out below a brief description of our Cornerstone Investors:

Arisaig Asia, Arisaig Global and Arisaig Global UCITS

Arisaig Asia has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US\$60 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK\$5.58 per Share, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Arisaig Asia would subscribe for would be 83,333,000, representing approximately 4.92% of the Offer Shares, and 0.61% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Arisaig Global has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US\$18 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK\$5.58 per Share, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Arisaig Global would subscribe for would be 25,000,000, representing approximately 1.48% of the Offer Shares, and 0.18% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

CORNERSTONE INVESTORS

Arisaig Global UCITS, acting for the account of the sub-fund Arisaig Global Emerging Markets Consumer UCITS Fund, has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US\$2 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK\$5.58 per Share, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Arisaig Global UCITS would subscribe for would be 2,777,500, representing approximately 0.16% of the Offer Shares, and 0.02% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Arisaig Asia is an open-ended investment company incorporated in the British Virgin Islands on December 3, 1999 and its investment objective is to achieve long term capital growth through investments in companies in the consumer sector in Asia.

Arisaig Global is a company incorporated in Singapore on July 23, 2012, and its investment objective is to achieve long term capital growth through investing on a worldwide basis predominantly in equity and equity related securities (including warrants and convertible securities) issued by consumer companies which are listed on a stock exchange.

Arisaig Global UCITS is an open-ended investment company with variable capital structured as an umbrella fund with segregated liability between sub-funds and incorporated with limited liability in the Republic of Ireland on July 24, 2013 and authorized by the Central Bank of Ireland pursuant to the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended), and its investment objective of Arisaig Global UCITS is to achieve long term capital growth.

Arisaig Partners is an independent investment group founded in October 1996 whose focus is exclusively on listed, consumer sector businesses in emerging markets. Each of Arisaig Asia, Arisaig Global and Arisaig Global UCITS is ultimately managed by Arisaig Partners (Asia) Pte Ltd, a Singapore company which holds a capital markets services licence from the Monetary Authority of Singapore, which is in turn controlled by Arisaig Partners (Holdings) Ltd. Arisaig Partners (Holdings) Ltd is wholly owned by Skye Partners Limited, which is owned by three family trusts.

In aggregate, Arisaig Asia, Arisaig Global and Arisaig Global UCITS (acting for the account of the sub-fund Arisaig Global Emerging Markets Consumer UCITS Fund) have severally agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US\$80 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price. Assuming an Offer Price of HK\$5.58 per Share, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Arisaig Asia, Arisaig Global and Arisaig Global UCITS in aggregate would subscribe for would be 111,110,500, representing approximately 6.56% of the Offer Shares, and 0.81% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

CORNERSTONE INVESTORS

JIC Dessert Laboratory

JIC Dessert Laboratory Limited (“**JIC Dessert Laboratory**”) has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of RMB950 million, equivalent to approximately HK\$1,159.5 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK\$5.58 per Share, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that JIC Dessert Laboratory would subscribe for would be 207,802,500, representing approximately 12.27% of the Offer Shares, and 1.52% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

JIC Dessert Laboratory is a limited liability company incorporated in Cayman Islands on October 15, 2015, and is a wholly-owned subsidiary of JIC Investment Co., Ltd. (“**JIC Investment**”). JIC Investment is a state-owned enterprise established in Beijing and mainly engaged in direct equity investment and fund management. JIC Investment is a wholly-owned subsidiary of China Jianyin Investment Limited (“**JIC**”), an integrated investment group incorporated in PRC. JIC uses equity investment as its major business strategy and is a wholly-owned subsidiary of Central Huijin Investment Ltd.

Longbow Securities

Longbow Securities Limited (“**Longbow Securities**”) has agreed to subscribe for such number of the Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with an aggregate amount of US\$75 million (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) at the Offer Price.

Assuming an Offer Price of HK\$5.58 per Share, being the mid-point of the Offer Price range set out in this prospectus, the total number of Shares that Longbow Securities would subscribe for would be 104,166,500, representing approximately 6.15% of the Offer Shares, and 0.76% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

CORNERSTONE INVESTORS

Longbow Securities is a limited liability company incorporated in the British Virgin Islands on September 25, 2006, and it is engaged in the business of investment holding. It is a wholly-owned subsidiary of Legatum Partnership LLP, a Jersey based limited liability partnership which is the ultimate holding entity of the Legatum Group of companies. Legatum Partnership LLP is a private investment partnership with a 30-year heritage of long-term value creation through investments in global capital markets.

CONDITIONS PRECEDENT

The subscription of each Cornerstone Investor is subject to, among other things, the satisfaction that:

- a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement shall have been entered into and become effective and all of the conditions precedent to completion set forth therein shall have been satisfied (or waived by the relevant parties) by no later than the time and date as specified in the Underwriting Agreements;
- b) the Listing Committee having granted the approval for the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- c) no law having been enacted or promulgated by a government authority which prohibits the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the subscription contemplated under the relevant cornerstone investment agreement and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting the consummation of such transaction hereunder; and
- d) the respective representations, warranties, undertakings, acknowledgements and confirmations of the relevant Cornerstone Investor under the relevant cornerstone investment agreement are accurate and true in all material respects and not misleading and that there is no material breach of the relevant cornerstone investment agreement on the part of the relevant Cornerstone Investor.

CORNERSTONE INVESTORS

RESTRICTIONS ON THE DISPOSAL OF SHARES BY THE CORNERSTONE INVESTORS

Each of the above Cornerstone Investors has agreed and undertaken to the Company and the Joint Global Coordinators that unless it has obtained the prior written consent of the Company and the Joint Global Coordinators to do otherwise, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date, effect any disposal (as defined in the respective cornerstone investment agreements) of any of the Shares subscribed for by it pursuant to the relevant cornerstone investment agreement.

Each Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary undertakes in writing that such wholly-owned subsidiary be bound by the Cornerstone Investor's obligations under the relevant cornerstone investment agreement.

UNDERWRITING

HONG KONG UNDERWRITERS

Merrill Lynch Far East Limited

Morgan Stanley Asia Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on Monday, November 9, 2015. As described in the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription on the terms and subject to the terms and conditions of this prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming and remaining unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

If any of the events set out below shall occur at any time prior to 8:00 a.m. on the Listing Date, the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) may by giving oral or written notice to our Company terminate the Hong Kong Underwriting Agreement (including the respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares) without liability to any of the other parties with immediate effect:

- (i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the United Kingdom, the European Union, Singapore, the Cayman Islands or the British Virgin Islands (collectively, the “Relevant Jurisdictions”); or

UNDERWRITING

- (ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, investment markets, the interbank markets and credit markets) in or affecting any of the Relevant Jurisdictions; or
- (iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (iv) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in any securities of the Company or of any other member of the Group listed or quoted on a stock exchange or an over-the-counter market; or
- (v) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent authority), New York (imposed at Federal or New York State level or other competent authority), London, the PRC, the European Union or any other Relevant Jurisdiction or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
- (vi) any new law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, in each case, in or affecting any of the Relevant Jurisdictions; or
- (vii) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or
- (viii) a change or development involving a prospective change in or affecting taxation (including all forms of taxation whenever created, imposed or arising and whether of Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands or of any other part of the world and, without prejudice to the generality of the foregoing, includes all forms of taxation on or relating to profits, salaries, interest and other forms of income, taxation on capital gains, sales and value added taxation, business tax, estate duty, death duty, capital duty, stamp duty, payroll taxation, withholding taxation, rates and other taxes or charges relating to property, customs and other import and excise duties, and generally any taxation, duty, impost, levy, rate, charge or any amount payable to taxing, revenue, customs or fiscal authorities whether of Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands or of any other part of the world, whether by way of actual assessment, loss of allowance, withholding, deduction or credit available for relief or otherwise, and including all interest,

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additions to tax, penalties or similar liabilities arising in respect of any taxation) or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any of the Relevant Jurisdictions; or

- (ix) any litigations, actions, suits and proceedings (including, without limitation, any investigation or inquiry by or before any authority) and claims (whether or not any such claim involves or results in any action, suit or proceeding) of any third party being threatened or instigated against any member of the Group; or
- (x) any change or development or event involving a materialization of, any of the risks set out in the section “Risk Factors” in this prospectus; or
- (xi) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group; or
- (xii) any material portion of the orders in the bookbuilding process having been withdrawn, terminated or cancelled;

which, individually or in the aggregate, in the sole opinion of the Joint Sponsors and the Joint Global Coordinators:

- (1) has or will have or is likely to have any material adverse effect, or any development involving a prospective material adverse effect, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholders’ equity, profits, losses, results of operations, position or condition, financial or otherwise or performance of our Group taken as a whole (“Material Adverse Effect”); or
- (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering or dealings in the Shares in the secondary market; or
- (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering or dealings in the Shares in the secondary market; or

UNDERWRITING

- (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or
- (b) there has come to the notice of the Joint Sponsors and the Joint Global Coordinators:
- (i) that any statement of material fact contained in any of this prospectus or the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the “Hong Kong Public Offering Documents”) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Hong Kong Public Offering Documents is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from any of the Hong Kong Public Offering Documents; or
 - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreements (other than upon any of the Hong Kong Underwriters or the International Underwriters) in any material respect; or
 - (iv) any event, act or omission which gives or is likely to give rise to any liability of any of the Company and the Controlling Shareholders pursuant to the indemnities given by our Company and our Controlling Shareholders under the Hong Kong Underwriting Agreement; or
 - (v) any Material Adverse Effect; or
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any respect, any of the representations, warranties, agreements and undertakings of our Company and our Controlling Shareholders under the Hong Kong Underwriting Agreement; or
 - (vii) that approval by the Listing Committee of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
 - (viii) that our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

UNDERWRITING

- (ix) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (x) the chairman or chief executive officer of the Company vacating his or her office; or
- (xi) any administrative, governmental or regulatory commission, board, body, authority or agency, or any stock exchange, self-regulatory organization or other non-governmental regulatory authority, or any court, tribunal or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic or foreign or a political body or organization in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (xii) a contravention by any member of the Group of the Listing Rules or applicable laws, which would in the case of applicable laws, individually or in the aggregate, result in a Material Adverse Effect; or
- (xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the additional Shares which may be purchased by, or by investors procured by, the International Underwriters from the Company pursuant to the Over-Allotment Option) pursuant to the terms of the Global Offering; or
- (xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws; or
- (xv) the issue or requirement to issue by the Company of any supplement or amendment to the prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC which in the sole and absolute discretion of the Joint Sponsors and Joint Global Coordinators materially and adversely affect the Global Offering; or
- (xvi) a valid demand by any creditor for repayment or payment of any indebtedness of any member of the Group or in respect of which any member of the Group is liable prior to its stated maturity and the relevant member of the Group fails to make such repayment or payment within the valid period of repayment or payment; or
- (xvii) that any person (other than the Joint Sponsors) has withdrawn or is subject to withdraw its consent to being named in any of the Hong Kong Public Offering Documents or to the issue of any of the Hong Kong Public Offering Documents; or
- (xviii) a portion of the orders in the investment commitments by any cornerstone investors after signing of agreements with such cornerstone investors, have been withdrawn, terminated or cancelled, and the Joint Global Coordinators, in their sole and absolute discretion, concludes that it is therefore inadvisable or inexpedient or impracticable to proceed with the Global Offering.

UNDERWRITING

Lock-up

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company will not, any time within six months from the Listing Date, issue any Shares or other securities convertible into equity securities (whether or not of a class already listed) of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange, that he or it will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (a) in the period commencing on the Latest Practicable Date and ending on the date which is six months from the Listing Date (the “First Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (“Parent Shares”) (except pursuant to the Global Offering, the Over-allotment Option, the Stock Borrowing Agreement and unless in compliance with the requirements of the Listing Rules); or
- (b) during the period of six months commencing on the date on which the First Six-month Period expires (the “Second Six-month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be our Controlling Shareholders (as defined in the Listing Rules).

Further, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

- (a) if he or it pledges or charges any of our securities beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of securities so pledged or charged; and

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- (b) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of his or its pledged or charged securities will be disposed of, immediately inform us of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken with each of the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors and the Hong Kong Underwriters that, we will not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depositary in connection with the issue of depositary receipts; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities of our Company or interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive or any warrants or other rights to purchase, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i) to (iii) above,

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in each case, whether any of the foregoing transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of our Shares or such other securities, or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period) provided that the foregoing restrictions shall not apply to the issue of Shares by our Company pursuant to the Global Offering or grant of options or issuance of Shares upon exercise of such options pursuant to the Share Option Scheme or any issue of debt securities by our Company or any other member of our Group or any encumbrance created over the shares or other securities of any member of our Group as security for such debt securities, provided that such debt securities are not convertible into equity securities of our Company or any member of our Group.

During the Second Six-Month Period, we shall not enter into any of the transactions specified in sub-paragraphs (i) to (iii) above or offer to or agree to or announce any intention to effect any such transaction such that any Controlling Shareholder, directly or indirectly, would cease to be our Controlling Shareholder.

In the event that, during the Second Six-month Period, we enter into any of the transactions specified in sub-paragraphs (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect such transaction, we will take all reasonable steps to ensure that we will not create a disorderly or false market in the securities of our Company.

Undertaking by the Controlling Shareholders

Each of our Controlling Shareholders has undertaken to us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option or (C) the Stock Borrowing Agreement, none of our Controlling Shareholders will, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts; or

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- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any such other securities, as applicable or any interest in any of the foregoing); or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer to or agree or announce any intention to effect any transaction described in (i) to (iii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of our Shares or other securities of our Company, in cash or otherwise, or offer to or agree to do any of the foregoing or announce any intention to do so (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period).

During the Second Six-month Period, each of our Controlling Shareholders will not enter into any of the transactions in sub-paragraphs (i), (ii) or (iii) above or offer to or agree or announce any intention to enter into any such transactions if, immediately following such sale, transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholder will collectively cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company.

Until the expiry of the Second Six-month Period, in the event that each of our Controlling Shareholders enters into any such transactions or offers to or agrees or announces any intention to enter into any such transactions, he or it will take all reasonable steps to ensure that he or it will not create a disorderly or false market in the securities of our Company.

At any time during the First Six-month Period and Second Six-month Period (i) our Controlling Shareholders will, if they pledge or charge or intends to pledge or charge any Shares or other securities of our Company in respect of which they are the beneficial owner, immediately inform our Company, the Joint Sponsors, the Joint Global Coordinators and the Stock Exchange of any such pledges or charges and the number of Shares or other securities of our Company so pledged or charged, and (ii) our Controlling Shareholders will, if they receive any indication, either verbal or written, from any such pledgee or chargee of Shares or other securities of our Company that such Shares or other securities of our Company will be disposed of, immediately inform our Company, the Joint Sponsors, the Joint Global Coordinators and the Stock Exchange of any such indication.

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Other Undertakings

CDH Delicacy has undertaken to each of the Company, the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters in connection with the Global Offering) that shall not, without the prior written consent of the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters in connection with the Global Offering) and unless in compliance with the Listing Rules, at any time during the First Six-month Period:

- (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any mortgage, pledge or charge in favour of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) not involving a change of legal ownership of our Shares currently owned by CDH Delicacy other than on enforcement) for a bona fide commercial loan), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of the Company currently held by CDH Delicacy or any interest in any of the foregoing, as applicable (the “Relevant Shares”);
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Relevant Shares;
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above,

whether any of such transaction described in sub-paragraphs (i), (ii) or (iii) above is to be settled by delivery of our Shares or such other securities of our Company, in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-month Period).

Indemnity

We and our Controlling Shareholders have agreed to indemnify, amongst others, the Joint Global Coordinators, the Joint Sponsors and the Hong Kong Underwriters for certain losses which they may suffer, including, amongst others, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach or alleged breach by our Company of the Hong Kong Underwriting Agreement, as the case may be.

UNDERWRITING

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the Controlling Shareholders, the Joint Global Coordinators and the Joint Bookrunners (for themselves and on behalf of the International Underwriters). Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set forth therein, severally agree to purchase the International Offer Shares being offered pursuant to the International Offering, or procure purchasers for such International Offer Shares.

It is expected that our Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (for themselves and on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until Sunday, December 13, 2015, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 254,117,500 additional Shares, representing 15% of the initial Offer Shares, at the Offer Price, to cover over-allocations in the International Offering, if any.

Potential investors should note that if the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 1.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commissions. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the relevant International Underwriters. In addition we may, at our sole and absolute discretion, pay additional discretionary incentive fee of up to 0.8% of the aggregate Offer Price of the Hong Kong Offer Shares.

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$5.58, being the mid-point of the Offer Price range of HK\$5.00 to HK\$6.15 per Share, the fees and commissions in connection with the Hong Kong Public Offering and the International Offering, together with the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees, printing and other expenses relating to the Global Offering, are estimated to amount to approximately HK\$293 million in aggregate. Such commissions, the Stock Exchange trading fee and the SFC transaction levy and the fees and expenses of professional advisors and service providers engaged in relation to the Global Offering are payable and borne by us. We will reimburse the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers (for themselves and on behalf of the Underwriters) and the Joint Sponsors for expenses they incurred in relation to the Global Offering.

UNDERWRITING

Underwriters' Interests in our Company

Save for their respective obligations under the Underwriting Agreements and save as otherwise disclosed in this prospectus, none of the Underwriters is interested legally or beneficially in any shares of any members of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any members of our Group in the Global Offering.

JOINT SPONSORS' INDEPENDENCE

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as "Syndicate Members", may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (i) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (ii) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have the Shares as their or part of their underlying assets. Those activities may require hedging activity by those entities involving, directly or indirectly, buying and selling the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

UNDERWRITING

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their or part of their underlying assets, whether on the Stock Exchange or on any other stock exchange, the rules of the relevant exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All of these activities may occur both during and after the end of the stabilizing period described under the section headed “Structure of the Global Offering—Stabilization” in this prospectus. These activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of their share price, and the extent to which this occurs from day to day cannot be estimated.

Certain of the Syndicate Members or their respective affiliates have provided from time to time and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commission.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering of 1,694,117,500 Shares comprises:

- (i) the Hong Kong Public Offering of 169,412,000 Shares (subject to reallocation) in Hong Kong, as described below in the paragraph headed “—The Hong Kong Public Offering”; and
- (ii) the International Offering of an aggregate of 1,524,705,500 Shares (subject to reallocation and the Over-allotment Option) outside the United States (including to professional and institutional investors and other investors anticipated to have a sizeable demand for the International Offer Shares within Hong Kong) in offshore transactions in reliance on Regulation S, and to QIBs in the United States in reliance on Rule 144A or another exemption from the registration requirements under the U.S. Securities Act.

Furthermore, up to 254,117,500 additional Shares may be offered pursuant to the exercise of the Over-allotment Option as set out further in “—Over-allotment Option” below.

The 1,694,117,500 Shares being offered by our Company under the Global Offering will represent about 12.4% of our Company’s enlarged share capital immediately after completion of the Global Offering (without taking into account any Shares which may be sold pursuant to the exercise of the Over-allotment Option).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in Offer Shares under the International Offering, but may not apply in both the Hong Kong Public Offering and the International Offering.

References in this prospectus to “applications”, “Application Forms”, “application monies” or the “procedure for application” relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

Our Company is initially offering 169,412,000 Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 1.2% of our Company’s enlarged issued share capital immediately after completion of the Global Offering.

The Hong Kong Public Offering is open to the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers), whose ordinary business involves dealing in shares and other securities, and corporate entities that regularly invest in shares and other securities.

STRUCTURE OF THE GLOBAL OFFERING

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “—Conditions of the Hong Kong Public Offering” below.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in such a ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Hong Kong Offer Shares in pool A will consist of 84,706,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5.0 million or less (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable). The Hong Kong Offer Shares in pool B will consist of 84,706,000 Offer Shares (being 50% of the total number of Offer Shares initially available under the Hong Kong Public Offering) and will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5.0 million and up to the total value of pool B (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “subscription price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications within either pool or between pools and any application for more than 84,706,000 Hong Kong Offer Shares, being the number of Hong Kong Offer Shares initially allocated to each pool, are liable to be rejected.

Reallocation

Paragraph 4.2 of the Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Stock

STRUCTURE OF THE GLOBAL OFFERING

Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that, the allocation of the Offer Shares between the Hong Kong Public Offering and the International Offering is subject to the following reallocation:

- 169,412,000 Offer Shares, representing approximately 10% of the total number of the Offer Shares are initially available in the Hong Kong Public Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 14 times or more but less than 49 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 254,118,000 Offer Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering;
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 49 times or more but less than 99 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 423,530,000 Offer Shares, representing approximately 25% of the Offer Shares initially available under the Global Offering; and
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 99 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offer, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 423,530,000 Offer Shares, representing approximately 25% of the Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, under particular circumstances, be reallocated as between these offerings by the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators may in their sole and absolute discretion to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he, or any person(s) for whose benefit he is making the application, has not applied for, taken up or indicated an interest in, and will not apply

STRUCTURE OF THE GLOBAL OFFERING

for, take up or indicate an interest in, any Offer Shares under the International Offering. Such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been, or will be, placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$6.15 per Offer Share in addition to the brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “—Pricing and Allocation” below, is less than the maximum Offer Price of HK\$6.15 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus.

THE INTERNATIONAL OFFERING

Number of Offer Shares Initially Offered

The International Offering will consist of an initial offering of 1,524,705,500 Shares, representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between (i) the International Offering and (ii) the Hong Kong Public Offering, the International Offer Shares will represent approximately 11.1% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

The International Offering will include selective marketing of Offer Shares to QIBs in the United States as defined in Rule 144A, as well as institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers), whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the paragraph headed “—Pricing and Allocation” in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares and/or hold or sell his/its Shares after the listing of our Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to our Company's and our Shareholders' benefit as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) may require investors who have been offered Offer Shares under the International Offering and who have made applications under the Hong Kong Public Offering to provide sufficient information so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such applications are excluded from any allotment of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be sold and issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed “—The Hong Kong Public Offering—Reallocation” in this section, any exercise of the Over-allotment Option and/or any reallocation of unsold Offer Shares originally included in the Hong Kong Public Offering.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that our Company will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) at any time from the Listing Date until Sunday, December 13, 2015, being the 30th day from the last day for lodging applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 254,117,500 Shares, representing approximately 15% of the initial Offer Shares, at the same price per Share under the International Offering, to cover over-allocations in the International Offering (if any). In the event that the Over-allotment Option is exercised, a press announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, underwriters may bid for or purchase securities in the secondary market during a specified period of time to retard and, if possible, prevent a decline in the initial public market price of the securities below the offer price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements of the relevant jurisdictions. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, Merrill Lynch Far East Limited, as stabilizing manager, its affiliates or any person acting for it (on behalf of the Underwriters) may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the Listing Date. Any market purchases of our Shares will be effected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it

STRUCTURE OF THE GLOBAL OFFERING

to conduct any such stabilizing action. Such stabilizing action, if taken, will be required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering and conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it, and may be discontinued at any time. The number of Shares that may be over-allocated will not be greater than the number of Shares that may be sold upon exercise of the Over-allotment Option, being an aggregate of 254,117,500 additional Shares, which is 15% of the Shares initially available under the Global Offering. If the Over-allotment Option is exercised in full, the Offer Shares will represent about 14.0% of our Company's enlarged issued share capital on completion of the Global Offering.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules of the SFO includes (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or agreeing to purchase our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing or agreeing to purchase our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling or agreeing to sell our Shares in order to liquidate any position established as a result of the abovementioned purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which, and the time or period for which, the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation and selling of any such long position in the open market by the Stabilizing Manager, its affiliates or any person acting for it may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date and is expected to expire on Sunday, December 13, 2015, being the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for the Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it may cover such over-allocation by (among other methods) using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including those in relation to stabilization and the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed 254,117,500 Shares, representing 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING ARRANGEMENT

In order to facilitate settlement of the over-allocations under the International Offering, if any, the Stabilizing Manager, its affiliates or any person acting for it, will enter into the Stock Borrowing Agreement with the Controlling Shareholders pursuant to which each of them shall, if so requested by Stabilizing Manager, its affiliates or any person acting for it, make available to the Stabilizing Manager its affiliates or any person acting for it, up to 254,117,500 Shares held by it to facilitate settlement of over-allocations in the International Offering.

The Stock Borrowing Agreement, in compliance with Rule 10.07(3) of the Listing Rules, shall provide that:

- (1) such stock borrowing arrangement will be for the sole purpose of covering any short position prior to the exercise of the Over-allotment Option;
- (2) the maximum number of Shares to be borrowed from the Controlling Shareholders under the Stock Borrowing Agreement by Stabilizing Manager, its affiliates or any person acting for it, will be limited to the maximum number of Shares which may be issued upon full exercise of the Over- allotment Option;
- (3) the same number of Shares so borrowed (if any) must be returned to the Controlling Shareholders or its nominees (as the case may be) within three Business Days after the last day on which the Over-allotment Option may be exercised or, if earlier, the date on which the Over-allotment Option is exercised in full;
- (4) borrowing of Shares pursuant to the stock borrowing arrangement will be effected in compliance with all applicable Listing Rules, laws, rules and regulatory requirements; and
- (5) no payments will be made to the Controlling Shareholders by the Stabilizing Manager, its affiliates or any person acting for it, in relation to such borrowing arrangement.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective professional and institutional investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering that they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Saturday, November 14, 2015 and in any event no later than Thursday, November 19, 2015, by agreement among the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and our Company. The Offer Price per Offer Share under the Hong Kong Public Offering will be fixed at the Hong Kong dollar amount which, when including the 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Offering. The SFC transaction levy and the Stock Exchange trading fee otherwise payable by investors on Offer Shares purchased by them in the International Offering will be paid by us.

The Offer Price will not be more than HK\$6.15 per Offer Share and is expected to be not less than HK\$5.00 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, in the event that the number of Offer Shares and/or the Offer Price is/are so reduced, such applications can subsequently be withdrawn.

The Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) may, where considered appropriate and with the consent of our Company, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company

STRUCTURE OF THE GLOBAL OFFERING

(www.dali-group.com) notices of the reduction. Upon issue of such notices, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Sponsors, the Joint Global Coordinators (on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such announcement(s) will also include confirmation or revision, as appropriate, of the working capital statement, the Global Offering statistics and any other financial information in this prospectus which may change as a result of any such reduction. In the absence of any such announcement, the number of Offer Shares will not be reduced and the Offer Price, if agreed upon by our Company, the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Offering may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering) are estimated to be approximately HK\$9,152 million, assuming an Offer Price of HK\$5.58 per Offer Share, being the approximate mid-point of the proposed Offer Price range of HK\$5.00 to HK\$6.15.

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offering are expected to be announced on Thursday, November 19, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (www.hkexnews.hk) and on the website of our Company (www.dali-group.com).

HONG KONG UNDERWRITING AGREEMENT AND INTERNATIONAL UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company, the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date.

The Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarized in the section headed “Underwriting” in this prospectus.

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee granting the listing of, and permission to deal in, our Shares in issue (including the Shares that may be sold pursuant to any exercise of the Over-allotment Option) and our Shares being offered pursuant to the Global Offering (subject only to allotment);
- (ii) the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- (iii) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

If, for any reason, the Offer Price is not agreed between our Company, the Joint Sponsors and the Joint Global Coordinators (on behalf of the Underwriters) on or before Thursday, November 19, 2015, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will not proceed and will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.dali-group.com, in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Offer Shares—14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus. In the meantime, all application monies will be held in separate bank accounts with the receiving bank of our Company or any other banks in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. in Hong Kong on Friday, November 20, 2015 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement—Grounds for Termination" in this prospectus has not been exercised.

STRUCTURE OF THE GLOBAL OFFERING

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option), the Capitalization Issue and the Shares which may be issued upon the exercise of the options that may be granted under the Share Option Scheme.

No part of the share capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Friday, November 20, 2015, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on Friday, November 20, 2015. Our Shares will be traded in board lots of 500 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the White Form eIPO at www.eipo.com.hk; or
- electrically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Sponsors and/or the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the White Form eIPO, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Sponsors and/or the Joint Global Coordinators may accept or reject it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The number of joint applicants may not exceed four and they may not apply by means of White Form eIPO for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of our subsidiaries;
- a Director or chief executive officer of our Company and/or any of our subsidiaries;
- a connected person (as defined in the Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for or indicated an interest in any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, November 10, 2015 until 12:00 noon on Friday, November 13, 2015 from:

- (i) any of the following offices of the Hong Kong Underwriters:

Merrill Lynch Far East Limited

55/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Morgan Stanley Asia Limited

Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of the receiving bank:

Bank of China (Hong Kong) Limited

	<u>Branch Name</u>	<u>Address</u>
Hong Kong Island	Bank of China Tower Branch	3/F, 1 Garden Road
	United Centre Branch	Shop 1021, United Centre, 95 Queensway
	Sheung Wan Branch	252 Des Voeux Road Central
	North Point (King's Centre) Branch	193-209 King's Road, North Point
Kowloon	Prince Edward Branch	774 Nathan Road, Kowloon
	To Kwa Wan Branch	80N To Kwa Wan Road, To Kwa Wan
	Wong Tai Sin Branch	Shop G13, Wong Tai Sin Plaza, Wong Tai Sin
	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong
	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
New Territories	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan
	Fo Tan Branch	No 2, 1/F Shatin Galleria, 18-24 Shan Mei Street, Fo Tan
	Tuen Mun San Hui Branch	G13-G14 Eldo Court, Heung Sze Wui Road, Tuen Mun

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, November 10, 2015 until 12:00 noon on Friday, November 13, 2015 from the Depository Counter of **HKSCC** at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to Bank of China (Hong Kong) Nominees Limited — Dali Foods Group Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- 9:00 a.m. to 5:00 p.m. on Tuesday, November 10, 2015
- 9:00 a.m. to 5:00 p.m. on Wednesday, November 11, 2015
- 9:00 a.m. to 5:00 p.m. on Thursday, November 12, 2015
- 9:00 a.m. to 12:00 noon on Friday, November 13, 2015

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, November 13, 2015, the last application day or such later time as described in the paragraph headed “—10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO**, among other things, you:

- (i) **undertake** to execute all relevant documents and instruct and authorize our Company, the Joint Sponsors and/or the Joint Global Coordinators (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) **agree** to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) **confirm** that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) **confirm** that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) **confirm** that you are aware of the restrictions on the Global Offering in this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (vi) **agree** that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) **undertake and confirm** that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) **agree** to disclose to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, **agree** and **warrant** that you have complied with all such laws and none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Manager and the Underwriters nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) **agree** that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) **agree** that your application will be governed by the laws of Hong Kong;
- (xii) **represent, warrant** and **undertake** that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) **warrant** that the information you have provided is true and accurate;
- (xiv) **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) **authorize** our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) or deposit any share certificate(s) into CCASS and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first- named applicant for joint application by ordinary post

HOW TO APPLY FOR HONG KONG OFFER SHARES

at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in “— 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection” in this section to collect the share certificate(s) and/or refund cheque(s) in person;

- (xvi) **declare** and **represent** that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) **understand** that our Company, the Directors, Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) **warrant** that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) **warrant** that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

Individuals who meet the criteria in “2. Who can apply” section, may apply through the **White Form eIPO** for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO**.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, November 10, 2015 until 11:30 a.m. on Friday, November 13, 2015 and the latest time for completing full payment of application monies in respect of such applications will be at 12:00 noon on Friday, November 13, 2015 or such later time under the paragraph headed “—10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Dali Foods Group Company Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang-Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;

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- (if the electronic application instructions are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, our Directors, the Joint Sponsors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and our Company and/or our agents to deposit share certificate(s) into CCASS and/or to send any refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or its respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the

HOW TO APPLY FOR HONG KONG OFFER SHARES

fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/ or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.⁽¹⁾ on Tuesday, November 10, 2015
- 8:00 a.m. to 8:30 p.m.⁽¹⁾ on Wednesday, November 11, 2015
- 8:00 a.m. to 8:30 p.m.⁽¹⁾ on Thursday, November 12, 2015
- 8:00 a.m.⁽¹⁾ to 12:00 noon on Friday, November 13, 2015

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Tuesday, November 10, 2015 until 12:00 noon on Friday, November 13, 2015 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Friday, November 13, 2015, the last application day or such later time as described in the paragraph headed “—10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisors and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Friday, November 13, 2015.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

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for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **White Form eIPO**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“**Unlisted company**” means a company with no equity securities listed on the Stock Exchange.

“**Statutory control**” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

Please see the section headed “Structure of the Global Offering—Pricing and Allocation” in this prospectus for further details on the Offer Price.

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10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, November 13, 2015. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, November 13, 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, November 19, 2015 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our Company’s website at www.dali-group.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.dali-group.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 9:00 a.m. on Thursday, November 19, 2015;
- from the designated results of allocations website at www.iporesults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, November 19, 2015 to 12:00 midnight on Wednesday, November 25, 2015;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, November 19, 2015 to Sunday, November 22, 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, November 19, 2015 to Saturday, November 21, 2015 at all the receiving bank designated branches.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) **If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) **If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Sponsors and/or the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) **If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) **If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your electronic application instructions through the White Form eIPO are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$6.15 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering—Conditions of the Hong Kong Public Offering” in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Thursday, November 19, 2015.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Thursday, November 19, 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on Friday, November 20, 2015 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

Personal Collection

(i) *If you apply using a WHITE Application Form*

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 19, 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation’s chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Thursday, November 19, 2015, by ordinary post and at your own risk.

(ii) *If you apply using a YELLOW Application Form*

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Thursday, November 19, 2015, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant’s stock account as stated in your Application Form on Thursday, November 19, 2015 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

Our Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, November 19, 2015 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) *If you apply through the White Form eIPO*

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, November 19, 2015 or such other date as notified by our Company in the newspapers as the date of dispatch/ collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Thursday, November 19, 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(iv) *If you apply via Electronic Application Instructions to HKSCC*

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, November 19, 2015 or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Thursday, November 19, 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. Thursday, November 19, 2015 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, November 19, 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, November 19, 2015.

HOW TO APPLY FOR HONG KONG OFFER SHARES

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the company's reporting accountants, Ernst & Young, Certified Public Accountants,



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

10 November 2015

The Directors

Dali Foods Group Company Limited

Merrill Lynch Far East Limited

Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information of Dali Foods Group Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2012, 2013 and 2014, and the six months ended 30 June 2015 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015, the statements of financial position of the Company as at 31 December 2014 and 30 June 2015, together with the notes thereto (the “Financial Information”), and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Group for the six months ended 30 June 2014 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2.1 of Section II below, for inclusion in the prospectus of the Company dated 10 November 2015 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 November 2014. Pursuant to a group reorganization (the “Reorganization”) as set out in note 2.1 of Section II below, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. All companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the “Directors”) have prepared the consolidated financial statements of the Group (the “Underlying Financial Statements”) in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). The Underlying Financial Statements for each of the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

Directors’ responsibility

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with HKFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

Opinion in respect of the Financial Information

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2.1 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Company as at 31 December 2014 and 30 June 2015 and the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

Review conclusion in respect of the Interim Comparative Information

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section II	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
REVENUE	5(a)	10,812,041	12,827,020	14,894,003	7,388,120	8,504,456
Cost of sales	6(a)	(9,028,671)	(10,239,151)	(10,895,178)	(5,453,671)	(5,660,847)
Gross profit		1,783,370	2,587,869	3,998,825	1,934,449	2,843,609
Other income and gains	5(b)	51,580	67,189	114,093	52,921	129,867
Selling and distribution expenses		(732,388)	(845,937)	(1,097,599)	(479,663)	(908,076)
Administrative expenses		(179,948)	(223,416)	(253,791)	(129,872)	(173,994)
PROFIT BEFORE TAX	6	922,614	1,585,705	2,761,528	1,377,835	1,891,406
Income tax expense	9	(230,026)	(394,928)	(684,812)	(343,309)	(374,345)
PROFIT FOR THE YEAR/PERIOD		<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,517,061</u>
ATTRIBUTABLE TO:						
Owners of the parent	11	<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,517,061</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:						
Basic and diluted	13	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)

Section II	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
Notes	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OTHER					
COMPREHENSIVE					
INCOME					
Other comprehensive income to be reclassified to profit or loss in subsequent periods:					
Exchange differences on translation of foreign operations.....	—	—	—	—	14,803
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	—	—	—	—	14,803
OTHER					
COMPREHENSIVE					
INCOME FOR THE					
YEAR/PERIOD,					
NET OF TAX					
	—	—	—	—	14,803
TOTAL					
COMPREHENSIVE					
INCOME FOR THE					
YEAR/PERIOD,					
NET OF TAX					
	<u>692,588</u>	<u>1,190,777</u>	<u>2,076,716</u>	<u>1,034,526</u>	<u>1,531,864</u>
ATTRIBUTABLE TO:					
Owners of the parent.....	11	<u>692,588</u>	<u>1,190,777</u>	<u>1,034,526</u>	<u>1,531,864</u>

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		31 December			30 June
Section II	Notes	2012	2013	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment.....	14	3,592,683	4,137,205	4,260,456	4,207,564
Prepaid land lease payments	15	507,942	547,398	516,239	575,504
Intangible assets	16	2,897	2,281	1,528	1,157
Available-for-sale investment	18	180,000	180,000	—	—
Prepayments.....	19	372,485	372,698	115,786	104,732
Deferred tax assets.....	26	31,470	40,336	47,604	28,092
Total non-current assets		4,687,477	5,279,918	4,941,613	4,917,049
CURRENT ASSETS					
Inventories	20	1,212,807	1,098,544	1,090,443	723,824
Trade receivables	21	76,120	217,696	191,756	227,264
Prepayments, deposits and other receivables.....	22	207,484	175,867	86,831	97,267
Due from a related party.....	36(b)	—	—	—	13,000
Tax recoverable.....		—	—	—	11,144
Pledged deposits	23	24,670	36,926	6,205	3,350
Cash and cash equivalents.....	23	383,170	641,571	628,851	1,934,658
Total current assets		1,904,251	2,170,604	2,004,086	3,010,507
CURRENT LIABILITIES					
Trade and bills payables	24	743,168	868,197	770,615	1,012,364
Other payables and accruals.....	25	901,048	899,725	812,702	891,100
Other borrowing.....	27	—	—	—	5,000
Due to the Controlling Shareholders .	36(d)	862,023	1,335,594	204,411	—
Due to related parties.....	36(c)	58,000	9,958	3,081,750	2,432,729
Tax payable		30,708	98,342	133,749	129,308
Dividends payable.....	28	—	—	1,125,756	—
Total current liabilities.....		2,594,947	3,211,816	6,128,983	4,470,501
NET CURRENT LIABILITIES		(690,696)	(1,041,212)	(4,124,897)	(1,459,994)
TOTAL ASSETS LESS CURRENT LIABILITIES		3,996,781	4,238,706	816,716	3,457,055
NON-CURRENT LIABILITIES					
Deferred revenue	29	166,327	206,104	266,515	265,009
Total non-current liabilities.....		166,327	206,104	266,515	265,009
NET ASSETS		3,830,454	4,032,602	550,201	3,192,046
EQUITY					
Equity attributable to owners of the parent					
Share capital.....	30	—	—	1	61
Reserves	31	3,830,454	4,032,602	550,200	3,191,985
Total equity		3,830,454	4,032,602	550,201	3,192,046

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000 (note 30)	RMB'000* (note 31)	RMB'000* (note 31)	RMB'000* (note 31)	RMB'000* (note 31)	RMB'000*	RMB'000
At 1 January 2012.....	—	—	1,907,039	245,216	—	989,836	3,142,091
Profit for the year.....	—	—	—	—	—	692,588	692,588
Total comprehensive income for the year.....	—	—	—	—	—	692,588	692,588
Capital contribution from the Controlling Shareholders	—	—	302,006	—	—	—	302,006
Distribution to the Controlling Shareholders before the Reorganization (note 10(a))	—	—	(265,000)	—	—	—	(265,000)
Dividend declared	—	—	—	—	—	(41,231)	(41,231)
Transfer from retained profits.....	—	—	—	92,367	—	(92,367)	—
At 31 December 2012 and 1 January 2013.....	—	—	1,944,045	337,583	—	1,548,826	3,830,454
Profit for the year.....	—	—	—	—	—	1,190,777	1,190,777
Total comprehensive income for the year.....	—	—	—	—	—	1,190,777	1,190,777
Capital contribution from the Controlling Shareholders	—	—	350,000	—	—	—	350,000
Distribution to the Controlling Shareholders before the Reorganization (note 10(a))	—	—	(738,630)	—	—	—	(738,630)
Transfer from statutory reserve.....	—	—	75,460	(75,460)	—	—	—
Dividend declared	—	—	—	—	—	(599,999)	(599,999)
Transfer from retained profits.....	—	—	—	171,625	—	(171,625)	—
At 31 December 2013 and 1 January 2014.....	—	—	1,630,875	433,748	—	1,967,979	4,032,602

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Share capital	Share premium	Merger reserve	Statutory reserve	Exchange fluctuation reserve	Retained profits	Total
	RMB'000 (note 30)	RMB'000* (note 31)	RMB'000* (note 31)	RMB'000* (note 31)	RMB'000* (note 31)	RMB'000* (note 31)	RMB'000
At 31 December 2013 and 1 January 2014	<u>—</u>	<u>—</u>	<u>1,630,875</u>	<u>433,748</u>	<u>—</u>	<u>1,967,979</u>	<u>4,032,602</u>
Profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,076,716</u>	<u>2,076,716</u>
Total comprehensive income for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,076,716</u>	<u>2,076,716</u>
Issue of shares	<u>1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1</u>
Distribution to the Controlling Shareholders in connection with the Reorganization (note 10(b))	<u>—</u>	<u>—</u>	<u>(1,654,040)</u>	<u>(383,166)</u>	<u>—</u>	<u>(3,361,912)</u>	<u>(5,399,118)</u>
Dividend declared	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(160,000)</u>	<u>(160,000)</u>
Transfer from retained profits	<u>—</u>	<u>—</u>	<u>—</u>	<u>449,982</u>	<u>—</u>	<u>(449,982)</u>	<u>—</u>
At 31 December 2014 and 1 January 2015	<u>1</u>	<u>—</u>	<u>(23,165)</u>	<u>500,564</u>	<u>—</u>	<u>72,801</u>	<u>550,201</u>
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,517,061</u>	<u>1,517,061</u>
Other comprehensive income for the period: Exchange differences on translation of foreign operations	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,803</u>	<u>—</u>	<u>14,803</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>14,803</u>	<u>1,517,061</u>	<u>1,531,864</u>
Issue of shares	<u>60</u>	<u>1,109,921</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,109,981</u>
At 30 June 2015	<u>61</u>	<u>1,109,921</u>	<u>(23,165)</u>	<u>500,564</u>	<u>14,803</u>	<u>1,589,862</u>	<u>3,192,046</u>
At 1 January 2014	<u>—</u>	<u>—</u>	<u>1,630,875</u>	<u>433,748</u>	<u>—</u>	<u>1,967,979</u>	<u>4,032,602</u>
Profit for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,034,526</u>	<u>1,034,526</u>
Total comprehensive income for the period	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,034,526</u>	<u>1,034,526</u>
Dividend declared	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(60,000)</u>	<u>(60,000)</u>
At 30 June 2014 (Unaudited)	<u>—</u>	<u>—</u>	<u>1,630,875</u>	<u>433,748</u>	<u>—</u>	<u>2,942,505</u>	<u>5,007,128</u>

* These reserve accounts comprise the consolidated reserves of RMB3,830,454,000, RMB4,032,602,000, RMB550,200,000 and RMB3,191,985,000 in the consolidated statements of financial position as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015, respectively.

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS

Section II	Notes	Year ended 31 December			Six months ended 30 June	
		2012	2013	2014	2014	2015
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		922,614	1,585,705	2,761,528	1,377,835	1,891,406
Adjustments for:						
Interest income from loans to a third party	5(b)	—	—	(12,320)	—	—
Interest income from a loan to a related party	5(b)	—	—	(3,355)	—	—
(Gain)/loss on disposal of items of property, plant and equipment	5(b),6(c)	3,091	(96)	954	1,037	131
Depreciation	6(c)	315,130	387,644	467,834	225,059	249,669
Amortization of prepaid land lease payments	6(c)	8,919	10,132	12,167	5,476	5,877
Amortization of intangible assets	6(c)	814	909	815	433	407
Impairment of property, plant and equipment	14	143	—	24	24	—
Impairment of inventories	6(c)	193	1,895	152	104	292
Government grants recognized in profit or loss	29	(3,035)	(7,551)	(11,199)	(5,404)	(7,543)
		1,247,869	1,978,638	3,216,600	1,604,564	2,140,239
(Increase)/decrease in pledged deposits		248	(12,256)	30,721	25,258	2,855
(Increase)/decrease in trade receivables		105,816	(141,576)	(54,442)	(145,094)	(35,508)
(Increase)/decrease in prepayments, deposits and other receivables		40,238	19,617	58,674	38,484	(14,636)
(Increase)/decrease in inventories		(198,655)	112,368	99	71,390	366,327

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Section II	Year ended 31 December			Six months ended	
	30 June				
Notes	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Increase/(decrease) in trade and bills payables	194,521	125,029	19,852	(61,501)	241,749
Increase/(decrease) in other payables and accruals	85,397	(16,321)	(20,443)	(95,188)	76,043
Cash generated from operations	1,475,434	2,065,499	3,251,061	1,437,913	2,777,069
Tax paid	(268,832)	(336,160)	(760,335)	(333,365)	(370,418)
NET CASH FLOWS FROM OPERATING ACTIVITIES	1,206,602	1,729,339	2,490,726	1,104,548	2,406,651
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(900,064)	(900,147)	(521,183)	(325,286)	(213,509)
Proceeds from disposal of items of property, plant and equipment	705	302	878	557	1,257
Additions to prepaid land lease payments	(48,145)	(55,028)	(37,372)	(19,281)	(32,189)
Purchases of intangible assets	(1,056)	(293)	(62)	(52)	(36)
Receipts of assets related government grants	53,783	47,328	71,610	45,969	6,037
Loans to a third party	—	—	(400,000)	(200,000)	—
Loan to a related party	—	—	(200,000)	—	—
Repayment of loans to a third party	—	—	400,000	—	—
Interest income received from loans to a third party	—	—	12,320	—	—
Interest income received from a loan to a related party	—	—	3,355	—	—

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

Section II	Year ended 31 December			Six months ended	
	2012	2013	2014	2014	2015
Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Advances to a related party....	—	—	—	—	(13,000)
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(894,777)	(907,838)	(670,454)	(498,093)	(251,440)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advances from the Controlling Shareholders	843,644	976,998	48,503	37,311	80,731
Repayment of advances from the Controlling Shareholders	(575,096)	(503,427)	(1,231,591)	(582,329)	(285,142)
Advances from related parties	58,000	—	9,000	9,000	—
Repayment of advances from related parties.....	—	(48,042)	(16,998)	(16,129)	—
Capital contributions from the Controlling Shareholders	302,006	350,000	—	—	—
Distribution to the Controlling Shareholders before the Reorganization ..	10(a)	(265,000)	(738,630)	—	—
Distribution to the Controlling Shareholders in connection with the Reorganization	10(b)	—	—	(561,906)	—
Repayment of amounts due to a related party in connection with the Reorganization.....		—	—	—	(649,021)
Dividends paid to the Controlling Shareholders	(689,499)	(599,999)	(80,000)	(21,000)	—

I. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Section II	Year ended 31 December			Six months ended	
		2012	2013	2014	2014	2015
	Notes	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)	
Dividends paid to a related party.....	28	—	—	—	—	(1,125,756)
Proceeds from other borrowing.....		—	—	—	—	5,000
Proceeds from issue of shares.....		—	—	—	—	1,109,981
NET CASH FLOWS USED IN FINANCING ACTIVITIES		(325,945)	(563,100)	(1,832,992)	(573,147)	(864,207)
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS		(14,120)	258,401	(12,720)	33,308	1,291,004
Cash and cash equivalents at beginning of year/period.....		397,290	383,170	641,571	641,571	628,851
Effect of foreign exchange rate changes		—	—	—	—	14,803
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD		383,170	641,571	628,851	674,879	1,934,658
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	23	383,170	641,571	628,851	674,879	1,264,658
Time deposits with original maturity of less than three months.....	23	—	—	—	—	670,000
		<u>383,170</u>	<u>641,571</u>	<u>628,851</u>	<u>674,879</u>	<u>1,934,658</u>

I. FINANCIAL INFORMATION (continued)

STATEMENTS OF FINANCIAL POSITION

	Section II	31 December 2014	30 June 2015
	Notes	RMB'000	RMB'000
NON-CURRENT ASSETS			
Investment in a subsidiary	17	<u>1</u>	<u>1</u>
Total non-current assets		<u>1</u>	<u>1</u>
CURRENT ASSETS			
Due from a subsidiary		<u>—</u>	<u>1,109,981</u>
Total current assets		<u>—</u>	<u>1,109,981</u>
NET ASSETS		<u>1</u>	<u>1,109,982</u>
EQUITY			
Share capital	30	1	61
Reserves	31	<u>—</u>	<u>1,109,921</u>
Total equity		<u>1</u>	<u>1,109,982</u>

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Dali Foods Group Company Limited (the “Company”) is an exempted company incorporated in the Cayman Islands with limited liability under the Companies Law of the Cayman Islands. The registered office of the Company is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

In the opinion of the Company’s directors (the “Directors”), the holding company of the Company is Divine Foods Limited (the “Parent”), a company established in the British Virgin Islands (“BVI”). The ultimate controlling shareholders of the Company are Mr. Xu Shihui, Ms. Chen Liling and Ms. Xu Yangyang (together known as the “Controlling Shareholders”).

The Group is principally engaged in the manufacture and sale of food and beverage in Mainland China (the “Listing Business”). There were no significant changes in the nature of the Group’s principal activities during the Relevant Periods.

Before the formation of the Group, the Listing Business was carried out by the subsidiaries now comprising the Group as set out below and Fujian Dali Group Co., Ltd., who transferred its entire business to the Group (fully explained in the section headed “History, Development and Reorganization” in this Prospectus), is now under the control of the Controlling Shareholders.

As at the date of the report, the Company had direct or indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of Company	Date and place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Dali Foods Holdings Limited ¹	4 November 2014 BVI	USD100	100%	—	Investment holding
Dali Foods Group (Hong Kong) Company Limited ¹	11 November 2014 Hong Kong	HKD100	—	100%	Investment holding
Quanzhou Dali Foods Co., Ltd. ² (泉州達利食品有限公司).....	12 January 1993 Mainland China	RMB90,939,305	—	100%	III
Dali Foods Group Co., Ltd. ² (達利食品集團有限公司).....	10 February 1993 Mainland China	RMB950,000,000	—	100%	II
Hubei Dali Foods Co., Ltd. ³ (湖北達利食品有限公司).....	16 June 2005 Mainland China	RMB209,000,000	—	100%	I
Jilin Dali Foods Co., Ltd. ⁴ (吉林達利食品有限公司).....	17 June 2005 Mainland China	RMB100,000,000	—	100%	I
Gansu Dali Foods Co., Ltd. ⁵ (甘肅達利食品有限公司).....	31 August 2005 Mainland China	RMB209,000,000	—	100%	I

II. NOTES TO THE FINANCIAL INFORMATION (continued)

1. CORPORATE INFORMATION (continued)

Name of Company	Date and place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Jinan Dali Foods Co., Ltd. ⁶ (濟南達利食品有限公司).....	18 June 2005 Mainland China	RMB190,000,000	—	100%	I
Chengdu Dali Foods Co., Ltd. ⁷ (成都達利食品有限公司).....	28 June 2005 Mainland China	RMB105,000,000	—	100%	I
Ma'anshan Dali Foods Co., Ltd. ⁸ (馬鞍山達利食品有限公司).....	9 October 2007 Mainland China	RMB160,000,000	—	100%	I
Shanxi Dali Foods Co., Ltd. ⁹ (山西達利食品有限公司).....	15 November 2007 Mainland China	RMB105,000,000	—	100%	I
Yunnan Dali Foods Co., Ltd. ¹⁰ (雲南達利食品有限公司).....	25 March 2008 Mainland China	RMB110,000,000	—	100%	I
Xiamen Dali Trading Co., Ltd. ¹¹ (廈門達利商貿有限公司).....	2 April 2010 Mainland China	RMB40,000,000	—	100%	Trading
Henan Dali Foods Co., Ltd. ¹² (河南達利食品有限公司).....	21 July 2010 Mainland China	RMB150,000,000	—	100%	I
Guangdong Dali Foods Co., Ltd. ¹³ (廣東達利食品有限公司).....	5 August 2010 Mainland China	RMB200,000,000	—	100%	I
Nanchang Dali Foods Co., Ltd. ¹⁴ (南昌達利食品有限公司).....	2 August 2010 Mainland China	RMB140,000,000	—	100%	III
Jiangsu Dali Foods Co., Ltd. ¹⁵ (江蘇達利食品有限公司).....	23 August 2010 Mainland China	RMB200,000,000	—	100%	I
Hebei Dali Foods Co., Ltd. ¹⁶ (河北達利食品有限公司).....	22 April 2011 Mainland China	RMB100,000,000	—	100%	I
Shaanxi Dali Foods Co., Ltd. ¹⁷ (陝西達利食品有限公司).....	28 June 2011 Mainland China	RMB80,000,000	—	100%	I
Shenyang Dali Foods Co., Ltd. ¹⁷ (瀋陽達利食品有限公司).....	21 May 2012 Mainland China	RMB10,000,000	—	100%	I

Notes:

I: Manufacture and sale of food and beverage

II: Manufacture and sale of food, beverage and related packaging

III: Manufacture and sale of beverage

- No audited financial statements have been prepared for these entities since their incorporation as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdictions of incorporation.
- The statutory financial statements of these entities for the years ended 31 December 2012 and 2013, prepared under the People Republic of China generally accepted accounting principles ("PRC GAAP"), were audited by Quanzhou Huatian Certified Public Accountants Co., Ltd. (泉州市華天會計師事務所有限責任公司), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as these entities was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
- The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Hubei Hanyi Lianhe Certified Public Accountants* (湖北漢一聯合會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**1. CORPORATE INFORMATION (continued)**

4. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Changchun Zhengze Certified Public Accountants* (長春正澤會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
5. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Gansu Xinhengxin Certified Public Accountants* (甘肅新恒信會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
6. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Pan-China Certified Public Accountants Shandong Branch (天健會計師事務所山東分所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
7. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Sichuan Guihu Union Accounting Firm (四川桂湖聯合會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
8. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Maanshan Chenggong Certified Public Accountants (馬鞍山成功會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
9. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Qin Xin Certified Public Accountant (山西勤信會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
10. The statutory financial statements of this entity for the years ended 31 December 2012, 2013 and 2014, prepared under PRC GAAP, were audited by Yunnan Tonglilianhe Accountants Co., Ltd. (雲南通力聯合會計師事務所有限公司), a firm of certified public accountants registered in the PRC.
11. The statutory financial statements of this entity for the year ended 31 December 2013, prepared under PRC GAAP, were audited by Xiamen Hongzheng Certified Public Accountants Co., Ltd (廈門泓正會計師事務所有限公司), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2012 and 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
12. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Zhengzhou Zhengtong C.P.A Partnership (鄭州正通聯合會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
13. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Guang Zhou Ruiqin Certified Public Accountants (廣州瑞勤會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
14. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Jiangxi Pingan C.P.A Ltd. (江西平安會計師事務所有限責任公司), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
15. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Suqian Gongxing Certified Public Accountants Co., Ltd. (宿遷公興會計師事務所有限公司), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**1. CORPORATE INFORMATION (continued)**

16. The statutory financial statements of this entity for the years ended 31 December 2012 and 2013, prepared under PRC GAAP, were audited by Hebei Huatai Union Certified Public Accountant Office (河北華泰聯合會計師事務所), a firm of certified public accountants registered in the PRC. No audited financial statements have been prepared for 2014 as this entity was not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.
17. No audited financial statements have been prepared as these entities were not subject to any statutory audit requirements under the relevant rules and regulations in the PRC.

* English translations of names for identification purposes only

2.1 BASIS OF PRESENTATION

Pursuant to the section headed “History, Development and Reorganization” in this Prospectus:

- During the Relevant Periods before the Reorganization, the Controlling Shareholders transferred their respective equity interests in certain operating subsidiaries to Fujian Dali Foods Group Co., Ltd. (the “Share Transfer”). Upon completion of the Share Transfer, Fujian Dali Foods Group Co., Ltd. held entire equity interests of the operating subsidiaries.
- Upon completion of the Reorganization, the Company became the holding company of the companies now comprising the Group and a subsidiary of the Company undertook the business previously operated under Fujian Dali Foods Group Co., Ltd. (the “Transferred Business”).

Fujian Dali Foods Group Co., Ltd., the Transferred Business and companies now comprising the Group were under the common control of the Controlling Shareholders before and after the and Share Transfer and Reorganization. Accordingly, for the purpose of this report, the Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Share Transfer and Reorganization had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods and the six months ended 30 June 2014 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2012, 2013 and 2014 and 30 June 2015 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Reorganization.

All intra-group transactions and balances have been eliminated on consolidation.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.1 BASIS OF PRESENTATION (continued)**

As of 30 June 2015, the Group had net current liabilities amounting to RMB1,459,994,000. When preparing Financial Information and the Interim Comparative Information, the Group's management concluded that the adoption of a going concern basis was appropriate after analyzing the forecasted cash flows for the twelve months from 30 June 2015 which indicates that the Group will have sufficient liquidity during the next twelve months from cash flows generated by operations and the committed and undrawn working capital credit facility of RMB2,000,000,000 from a commercial bank.

2.2 BASIS OF PREPARATION

The Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousands except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 9	<i>Financial Instruments</i> ³
Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	<i>Investment Entities: Applying the Consolidation Exception</i> ¹
Amendments to HKFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> ¹
HKFRS 14	<i>Regulatory Deferral Accounts</i> ⁴
HKFRS 15	<i>Revenue from Contracts with Customers</i> ³
Amendments to HKAS 1	<i>Disclosure Initiative</i> ¹
Amendments to HKAS 16 and HKAS 38	<i>Clarification of Acceptable Methods of Depreciation and Amortization</i> ¹

II. NOTES TO THE FINANCIAL INFORMATION (continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)

Amendments to HKAS 16 and HKAS 41	<i>Agriculture: Bearer Plants</i> ¹
Amendments to HKAS 27 (2011) <i>Annual Improvements 2012-2014</i> <i>Cycle</i>	<i>Equity Method in Separate Financial Statements</i> ¹ Amendments to a number of HKFRSs ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

⁴ Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. The Group expects that the adoption of HKFRS 9 will have an impact on the classification and measurement of the Group's financial assets. Further information about the impact will be available nearer the implementation date of the standard.

The amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The Group expects to adopt the amendments from 1 January 2016.

The amendments to HKFRS 11 require that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a business must apply the relevant principles for business combinations in HKFRS 3. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to HKFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (continued)**

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements in five areas, including materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies and presentation of items of other comprehensive income arising from equity accounted investments. The amendments further encourage entities to apply professional judgement in determining what information to disclose and how to structure the disclosure in the financial statements. The Group expects to adopt the amendments from 1 January 2016.

Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortize intangible assets. The amendments are to be applied prospectively. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2016 as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

The merger method of accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party. No amount is recognized in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Basis of consolidation (continued)**

liabilities over the cost of investment at the time of common control consolidation. The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities or businesses from the earliest date presented or since the date when the consolidating entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Fair value measurement (continued)**

either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of non-financial assets (continued)**

fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same Group;

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Related parties (continued)**

- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	4.75%
Motor vehicles	19.00%-23.75%
Plant and machinery	9.50%-19.00%
Other equipment	9.50%-31.67%

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Property, plant and equipment and depreciation (continued)**

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building or plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased software is stated at cost less any impairment losses and amortized on the straight-line basis over its estimated useful life of five years.

Pipeline rights

Purchased pipeline rights represent the payment made for the use right of natural gas and water pipelines, which are stated at cost less any impairment losses and amortized on the straight-line basis over estimated useful lives of five years.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Intangible assets (other than goodwill) (continued)***Research and development costs*

All research costs are charged to profit or loss as incurred.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognized on the straight-line basis over the lease terms.

Investments and other financial assets*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as loans and receivables and available-for-sale financial investments. When financial assets are recognized initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Investments and other financial assets (continued)**

includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognized in profit or loss in finance costs for loans and in administrative expenses for receivables.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealized gains or losses recognized as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognized, at which time the cumulative gain or loss is recognized in the statement of profit or loss and other comprehensive income in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to the statement of profit or loss and other comprehensive income in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognized in the statement of profit or loss and other comprehensive income as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on that asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of financial assets (continued)***Financial assets carried at amortized cost*

For financial assets carried at amortized cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to administrative expenses in the statement of profit or loss and other comprehensive income.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Impairment of financial assets (continued)***Available-for-sale financial investments*

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is removed from other comprehensive income and recognized in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. “Significant” is evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement of profit or loss and other comprehensive income — is removed from other comprehensive income and recognized in the income statement of profit or loss and other comprehensive income. Impairment losses on equity instruments classified as available for sale are not reversed through the income statement of profit or loss and other comprehensive income. Increases in their fair value after impairment are recognized directly in other comprehensive income.

The determination of what is “significant” or “prolonged” requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities*Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as loans and borrowings.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group’s financial liabilities include trade and bills payables, other payables and accruals, and interest-bearing bank and other borrowings.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Financial liabilities (continued)***Subsequent measurement*

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the weighted average method and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Cash and cash equivalents**

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Income tax (continued)**

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Government grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the statement of profit or loss and other comprehensive income by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other employee benefits*Pension scheme*

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognized as a liability.

Foreign currencies

The Financial Information is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Differences arising on settlement or translation of monetary items are recognized in profit or loss with the exception of monetary items that are designated as part of the hedge of the Group's net investment of a foreign operation. These are recognized in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measure

II. NOTES TO THE FINANCIAL INFORMATION (continued)**2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****Foreign currencies (continued)**

in fair value is treated in line with the recognition of the gain or loss on change at fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

The functional currencies of the Company and certain overseas established subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas established subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas established subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Judgements**

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of trade receivables

The provision policy for impairment of receivables of the Group is based on ongoing assessment of the recoverability and the aged analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realization of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

Provision for slow-moving inventories and net realizable value of inventories

Management reviews the ageing analysis of inventories of the Group at the end of each reporting period, and makes a provision for slow-moving inventory items. Management estimates the net realizable value for such inventories based primarily on the latest invoice prices and current market conditions. Write-down of inventories to net realizable value is made based on the estimated net realizable value of inventories. The assessment of the write-down amount requires management's estimates and judgement. Where the actual outcome or expectation in the future is different from the original estimate, such differences will impact the carrying value of inventories and write-down/write-back of inventories in the period in which such estimate has been changed.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)****Estimation uncertainty (continued)***Deferred tax assets*

Deferred tax assets relating to certain temporary differences are recognized as management considers that it is probable that future taxable profit will be available against which the temporary tax differences or tax losses can be utilized. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets carried in the consolidated statements of financial position as at 31 December 2012, 2013 and 2014 and 30 June 2015 were RMB31,470,000, RMB40,336,000, RMB47,604,000 and RMB28,092,000, respectively, details of which are set out in note 26 to the Financial Information.

Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and the related depreciation charge for the Group's property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in depreciable lives and therefore depreciation charge in the future periods.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and has two reportable operating segments as follows:

- a) Manufacturing and sale of food;
- b) Manufacturing and sale of beverage.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Management monitors the gross profit of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. No analysis of the Group's assets and liabilities by operating segments is disclosed as it is not regularly provided to the chief operating decision maker for review.

	Year ended 31 December 2012			Year ended 31 December 2013			Year ended 31 December 2014			Six months ended 30 June 2014 (unaudited)			Six months ended 30 June 2015		
	Food		Beverage	Total		Beverage	Total		Beverage	Total		Beverage	Total		Beverage
	RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000		RMB'000	RMB'000	
Segment revenue															
Sales to external customers ..	6,319,056	4,492,985		10,812,041	7,414,566	5,412,454	12,827,020	8,495,421	6,398,582	14,894,003	3,981,065	3,407,055	7,388,120	4,633,728	3,870,728
Segment gross profit	<u>1,041,117</u>	<u>742,253</u>		<u>1,783,370</u>	<u>1,477,512</u>	<u>1,110,357</u>	<u>2,587,869</u>	<u>2,257,740</u>	<u>1,741,085</u>	<u>3,998,825</u>	<u>969,294</u>	<u>965,155</u>	<u>1,934,449</u>	<u>1,349,522</u>	<u>1,494,087</u>
<i>Reconciliation:</i>															
Other income and gains				51,580			67,189			114,093			52,921		129,867
Selling and distribution expenses				(732,388)			(845,937)			(1,097,599)			(479,663)		(908,076)
Administrative expenses				(179,948)			(223,416)			(253,791)			(129,872)		(173,994)
Profit before tax				<u>922,614</u>			<u>1,585,705</u>			<u>2,761,528</u>			<u>1,377,835</u>		<u>1,891,406</u>
Other segment information:															
Depreciation and amortization	85,213	209,014		294,227	118,018	245,031	363,049	124,413	313,414	437,827	59,240	150,065	209,305	62,659	169,339
Capital expenditure															
Allocated	228,297	617,863		846,160	251,781	568,164	819,945	266,782	486,646	753,428	71,816	258,573	330,389	73,999	117,731
Unallocated				<u>328,240</u>			<u>162,308</u>			<u>32,627</u>			<u>23,979</u>		<u>71,613</u>
				<u>1,174,400</u>			<u>982,253</u>			<u>786,055</u>			<u>354,368</u>		<u>263,343</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

Since over 90% of the Group's revenue and operating profit were generated from the sale of food and beverage in Mainland China and over 90% of the Group's identifiable assets and liabilities were located in Mainland China, no geographical information is presented in accordance with HKFRS 8 *Operating Segments*.

Information about a major customer

Since none of the Group's sale to a single customer amounted to 10% or more of the Group's total revenue for the Relevant Periods and the six months ended 30 June 2014, no major customer information is presented in accordance with HKFRS 8 *Operating Segments*.

5. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for rebate and trade discounts during the Relevant Periods and the six months ended 30 June 2014.

An analysis of revenue, other income and gains is as follows:

(a) Revenue:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Sale of goods	<u>10,812,041</u>	<u>12,827,020</u>	<u>14,894,003</u>	<u>7,388,120</u>	<u>8,504,456</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

5. REVENUE, OTHER INCOME AND GAINS (continued)

(b) Other income and gains:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Bank interest income	4,585	5,854	10,424	3,766	5,470
Interest income from loans to a third party	—	—	12,320	—	—
Interest income from a loan to a related party	—	—	3,355	—	—
Government grants*	21,056	27,801	44,165	28,321	102,478
Income from sales of scrap, net	21,713	31,995	40,712	19,293	19,697
Foreign exchange differences, net ..	2,857	847	344	—	—
Gain on disposal of items of property, plant and equipment	45	101	24	28	18
Others	1,324	591	2,749	1,513	2,204
	<u>51,580</u>	<u>67,189</u>	<u>114,093</u>	<u>52,921</u>	<u>129,867</u>

* Government grants include various subsidies received by the Company's subsidiaries from relevant government bodies in connection with enterprise expansion and efficiency enhancement. There are no unfulfilled conditions or contingencies related to these grants.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived after charging/(crediting):

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(a) Cost of sales:					
Cost of inventories sold	<u>8,100,673</u>	<u>9,184,148</u>	<u>9,620,009</u>	<u>4,936,778</u>	<u>4,969,627</u>
(b) Employee benefit expenses (including directors' and chief executive's remuneration (note 7)):					
Wages and salaries	749,788	823,815	1,056,961	487,801	592,069
Pension scheme contribution, social welfare and other welfare .	<u>72,241</u>	<u>85,230</u>	<u>88,998</u>	<u>57,350</u>	<u>70,252</u>
	<u>822,029</u>	<u>909,045</u>	<u>1,145,959</u>	<u>545,151</u>	<u>662,321</u>
(c) Other items:					
Depreciation (note 14)	315,130	387,644	467,834	225,059	249,669
Amortization of land lease payments (note 15)	8,919	10,132	12,167	5,476	5,877
Amortization of intangible assets (note 16)	814	909	815	433	407
Promotion and advertising expenses	312,362	395,533	483,669	196,154	457,467
Logistics expense	228,287	254,056	332,797	148,262	228,998
Auditors' remuneration	735	797	1,289	412	54
Research and development costs	41,791	43,125	45,114	21,907	24,324
Minimum lease payments under operating leases:					
Land and buildings	—	—	—	—	8,520
Foreign exchange differences, net	(2,857)	(847)	(344)	26	6,503
(Gain)/loss on disposal of items of property, plant and equipment	3,091	(96)	954	1,037	131
Government grants	(21,056)	(27,801)	(44,165)	(28,321)	(102,478)
Impairment of items of property, plant and equipment	143	—	24	24	—
Impairment of inventories	<u>193</u>	<u>1,895</u>	<u>152</u>	<u>104</u>	<u>292</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)**6. PROFIT BEFORE TAX (continued)**

The depreciation of property, plant and equipment and amortization of prepaid land lease payments and other intangible assets are included in “administrative expenses”, “selling and distribution expenses” and “cost of sales” in the consolidated statements of profit or loss and other comprehensive income.

Research and development costs are included in “administrative expenses” and “cost of sales” in the consolidated statements of profit or loss and other comprehensive income.

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Xu Shihui was appointed as executive director and chief executive officer of the Company on 4 November 2014, and Ms. Xu Yangyang was appointed as executive director of the Company on 4 November 2014. Mr. Zhuang Weiqiang was appointed as executive director of the Company on 14 June 2015.

Subsequent to the end of the Relevant Periods, Mr. Cheng Hanchuan, Mr. Liu Xiaobin and Dr. Lin Zhijun were appointed as independent non-executive directors on 25 August 2015.

Ms. Hu Xiaoling and Ms. Xu Biying were appointed as non-executive directors of the Company on 4 May 2015 and 14 June 2015, respectively.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

Group

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fees	—	—	—	—	—
Other emoluments:					
Salaries, allowances and benefits					
in kind	516	909	1,012	506	2,530
Pension scheme contributions	34	38	46	24	39
	<u>550</u>	<u>947</u>	<u>1,058</u>	<u>530</u>	<u>2,569</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Executive directors

Year ended 31 December 2012				
	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Xu Shihui.....	—	—	—	—
Ms. Xu Yangyang.....	—	212	17	229
Mr. Zhuang Weiqiang.....	—	304	17	321
	—	516	34	550
Year ended 31 December 2013				
	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Xu Shihui.....	—	—	—	—
Ms. Xu Yangyang.....	—	411	19	430
Mr. Zhuang Weiqiang.....	—	498	19	517
	—	909	38	947

II. NOTES TO THE FINANCIAL INFORMATION (continued)

7. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

Year ended 31 December 2014				
	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Xu Shihui.....	—	—	—	—
Ms. Xu Yangyang.....	—	452	23	475
Mr. Zhuang Weiqiang.....	—	560	23	583
	—	1,012	46	1,058
Six months ended 30 June 2015				
	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Xu Shihui.....	—	1,160	13	1,173
Ms. Xu Yangyang.....	—	560	13	573
Mr. Zhuang Weiqiang.....	—	810	13	823
	—	2,530	39	2,569
Six months ended 30 June 2014 (Unaudited)				
	Fees	Salaries, allowances and benefits in kind	Contributions to defined contribution retirement schemes	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Xu Shihui.....	—	—	—	—
Ms. Xu Yangyang.....	—	226	12	238
Mr. Zhuang Weiqiang.....	—	280	12	292
	—	506	24	530

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

8. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the Relevant Periods and the six months ended 30 June 2014 is as follows:

Group

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Directors	2	2	2	2	3
Non-directors	3	3	3	3	2
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of Directors' remuneration are set out in note 7. Details of the remuneration of the above directors and non-directors, highest paid employees are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, allowances and benefit in kind	1,044	1,929	2,149	1,075	3,551
Pension scheme contribution	85	95	115	58	64
	<u>1,129</u>	<u>2,024</u>	<u>2,264</u>	<u>1,133</u>	<u>3,615</u>

The number of non-director highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees				
	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
				(Unaudited)	
Nil to HK\$1,000,000	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>2</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

9. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and British Virgin Islands.

Subsidiaries incorporated in Hong Kong were subject to income tax at the rate of 16.5% during the Relevant Periods and the six months ended 30 June 2014. No provision for Hong Kong profits tax has been made as the Group had no assessable profits arising in Hong Kong during the Relevant Periods and the six months ended 30 June 2014.

Under the Income Tax Law of the People's Republic of China (the "PRC"), the Company's subsidiaries that are established in the PRC were subject to income tax at a base rate of 25% during the Relevant Periods and the six months ended 30 June 2014, except for some subsidiaries which are subject to preferential income tax rate of 15%, approved by the relevant local tax authorities in 2015, in different periods ranging from 1 January 2014 to 31 December 2020.

The major components of income tax expense are as follows:

Group

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax:					
Income tax in the PRC for the					
year/period	236,750	403,794	694,682	344,109	354,833
Deferred tax (note 26)	(6,724)	(8,866)	(9,870)	(800)	19,512
Total tax charge for the					
year/period	<u>230,026</u>	<u>394,928</u>	<u>684,812</u>	<u>343,309</u>	<u>374,345</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

9. INCOME TAX (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before tax	922,614	1,585,705	2,761,528	1,377,835	1,891,406
Tax at the statutory tax rate (25%)	230,654	396,426	690,382	344,459	472,852
Effect of tax relief on certain subsidiaries.....	—	—	—	—	(50,772)
Effect of tax relief approved in current period on certain subsidiaries of previous period .	—	—	—	—	(49,027)
Income not subject to tax*	(2,354)	(3,367)	(7,423)	(1,792)	(5,244)
Expenses not deductible for tax ...	1,726	1,869	1,853	642	458
Unrecognized tax loss	—	—	—	—	1,713
Effect on opening deferred tax of change in rates	—	—	—	—	4,365
Tax charge at the Group's effective rate	230,026	394,928	684,812	343,309	374,345

* In accordance with the PRC tax law, the profit from the primary agricultural product processing is exempted from income tax.

10. DISTRIBUTIONS

- (a) Pursuant to the section headed “History, Development and Reorganization” in this Prospectus, during the Relevant Periods before the Reorganization, Fujian Dali Foods Group Co., Ltd. acquired the equity interests of certain operating subsidiaries from the Controlling Shareholders in return of certain cash consideration, which were treated as distributions to the Controlling Shareholders before Reorganization.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

10. DISTRIBUTIONS (continued)

- (b) Pursuant to the Reorganization as set out in the section headed “History, Development and Reorganization” in this Prospectus, as part of the Reorganization, Fujian Dali Foods Group Co., Ltd. transferred its business to the Group. Certain assets and liabilities set out as below were remaining in Fujian Dali Foods Group Co., Ltd. and treated as a distribution to the Controlling Shareholders in connection with Reorganization.

	Year ended 31 December 2014
	RMB'000
Cash and bank balances	561,906
Non-cash net assets (note 32)	<u>4,837,212</u>
	<u>5,399,118</u>

11. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 were all generated by the subsidiaries now comprising the Group (note 2.1).

12. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividend declared by the Company's subsidiaries to the then shareholders during the Relevant Periods and the six months ended 30 June 2014 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dividend declared	<u>41,231</u>	<u>599,999</u>	<u>160,000</u>	<u>60,000</u>	<u>—</u>

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful in connection with the Reorganization.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

14. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings	Motor vehicles	Plant and machinery	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2012						
At 1 January 2012:						
Cost.....	837,617	43,283	2,332,257	125,494	211,216	3,549,867
Accumulated depreciation and impairment	(130,707)	(22,071)	(528,177)	(29,187)	—	(710,142)
Net carrying amount	<u>706,910</u>	<u>21,212</u>	<u>1,804,080</u>	<u>96,307</u>	<u>211,216</u>	<u>2,839,725</u>
At 1 January 2012, net of accumulated depreciation and impairment	706,910	21,212	1,804,080	96,307	211,216	2,839,725
Additions	28,463	12,084	641,766	47,026	342,688	1,072,027
Depreciation provided during the year (note 6).....	(41,880)	(7,923)	(244,991)	(20,336)	—	(315,130)
Transfers.....	162,585	—	40,553	552	(203,690)	—
Disposals	(1,395)	(519)	(1,879)	(3)	—	(3,796)
Impairment	—	—	(143)	—	—	(143)
At 31 December 2012, net of accumulated depreciation and impairment.....	<u>854,683</u>	<u>24,854</u>	<u>2,239,386</u>	<u>123,546</u>	<u>350,214</u>	<u>3,592,683</u>
At 31 December 2012:						
Cost.....	1,025,657	52,820	3,001,916	172,341	350,214	4,602,948
Accumulated depreciation and impairment	(170,974)	(27,966)	(762,530)	(48,795)	—	(1,010,265)
Net carrying amount	<u>854,683</u>	<u>24,854</u>	<u>2,239,386</u>	<u>123,546</u>	<u>350,214</u>	<u>3,592,683</u>
31 December 2013						
At 1 January 2013:						
Cost.....	1,025,657	52,820	3,001,916	172,341	350,214	4,602,948
Accumulated depreciation and impairment	(170,974)	(27,966)	(762,530)	(48,795)	—	(1,010,265)
Net carrying amount	<u>854,683</u>	<u>24,854</u>	<u>2,239,386</u>	<u>123,546</u>	<u>350,214</u>	<u>3,592,683</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings	Motor vehicles	Plant and machinery	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2013 (continued)						
At 1 January 2013, net of accumulated depreciation and impairment.....	854,683	24,854	2,239,386	123,546	350,214	3,592,683
Additions	11,101	8,322	489,123	56,701	367,125	932,372
Depreciation provided during the year (note 6).....	(55,136)	(8,668)	(297,196)	(26,644)	—	(387,644)
Transfers	304,103	—	32,868	15,786	(352,757)	—
Disposals	—	(206)	—	—	—	(206)
At 31 December 2013, net of accumulated depreciation and impairment.....	<u>1,114,751</u>	<u>24,302</u>	<u>2,464,181</u>	<u>169,389</u>	<u>364,582</u>	<u>4,137,205</u>
At 31 December 2013:						
Cost	1,340,861	60,366	3,519,387	244,828	364,582	5,530,024
Accumulated depreciation and impairment	(226,110)	(36,064)	(1,055,206)	(75,439)	—	(1,392,819)
Net carrying amount	<u>1,114,751</u>	<u>24,302</u>	<u>2,464,181</u>	<u>169,389</u>	<u>364,582</u>	<u>4,137,205</u>
31 December 2014						
At 1 January 2014:						
Cost	1,340,861	60,366	3,519,387	244,828	364,582	5,530,024
Accumulated depreciation and impairment	(226,110)	(36,064)	(1,055,206)	(75,439)	—	(1,392,819)
Net carrying amount	<u>1,114,751</u>	<u>24,302</u>	<u>2,464,181</u>	<u>169,389</u>	<u>364,582</u>	<u>4,137,205</u>
At 1 January 2014, net of accumulated depreciation and impairment.....	1,114,751	24,302	2,464,181	169,389	364,582	4,137,205
Additions	19,256	10,143	318,733	50,563	365,334	764,029
Depreciation provided during the year (note 6).....	(68,965)	(10,182)	(354,954)	(33,733)	—	(467,834)
Transfers	189,253	—	261,874	26,107	(477,234)	—
Disposals	—	(10)	(1,765)	(57)	—	(1,832)
Impairment	—	—	(24)	—	—	(24)
Distribution to the Controlling Shareholders (note 32)	<u>(136,420)</u>	<u>(165)</u>	<u>(2,501)</u>	<u>(131)</u>	<u>(31,871)</u>	<u>(171,088)</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

Group (continued)

	Buildings	Motor vehicles	Plant and machinery	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2014 (continued)						
At 31 December 2014, net of accumulated depreciation and impairment.....	<u>1,117,875</u>	<u>24,088</u>	<u>2,685,544</u>	<u>212,138</u>	<u>220,811</u>	<u>4,260,456</u>
At 31 December 2014:						
Cost.....	1,363,521	66,717	4,047,530	318,751	220,811	6,017,330
Accumulated depreciation and impairment	(245,646)	(42,629)	(1,361,986)	(106,613)	—	(1,756,874)
Net carrying amount	<u>1,117,875</u>	<u>24,088</u>	<u>2,685,544</u>	<u>212,138</u>	<u>220,811</u>	<u>4,260,456</u>
30 June 2015						
At 1 January 2015:						
Cost.....	1,363,521	66,717	4,047,530	318,751	220,811	6,017,330
Accumulated depreciation and impairment	(245,646)	(42,629)	(1,361,986)	(106,613)	—	(1,756,874)
Net carrying amount	<u>1,117,875</u>	<u>24,088</u>	<u>2,685,544</u>	<u>212,138</u>	<u>220,811</u>	<u>4,260,456</u>
At 1 January 2015, net of accumulated depreciation and impairment.....	1,117,875	24,088	2,685,544	212,138	220,811	4,260,456
Additions	2,764	2,066	81,110	16,141	96,084	198,165
Depreciation provided during the period (note 6).....	(32,236)	(4,365)	(192,275)	(20,793)	—	(249,669)
Transfers.....	27,477	—	48,418	9,586	(85,481)	—
Disposals	—	(151)	(1,223)	(14)	—	(1,388)
At 30 June 2015, net of accumulated depreciation and impairment.....	<u>1,115,880</u>	<u>21,638</u>	<u>2,621,574</u>	<u>217,058</u>	<u>231,414</u>	<u>4,207,564</u>
At 30 June 2015:						
Cost.....	1,393,762	65,790	4,168,320	344,199	231,414	6,203,485
Accumulated depreciation and impairment	(277,882)	(44,152)	(1,546,746)	(127,141)	—	(1,995,921)
Net carrying amount	<u>1,115,880</u>	<u>21,638</u>	<u>2,621,574</u>	<u>217,058</u>	<u>231,414</u>	<u>4,207,564</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

14. PROPERTY, PLANT AND EQUIPMENT (continued)

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group has not yet to obtain property ownership certificates for certain buildings with aggregate net book values of RMB153,496,000, RMB216,114,000, RMB259,193,000 and RMB140,064,000, respectively. Notwithstanding this, the directors are of the opinion that the Group owned the beneficial titles to these buildings at the end of the Relevant Periods.

As at 30 June 2015, certain of the Group's plant and machinery with a net carrying amount of approximately RMB8,711,000 were pledged to secure other borrowing granted to the Group (note 27).

15. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period	415,544	507,942	547,398	516,239
Additions during the year/period	101,317	49,588	21,964	65,142
Amortization provided during the year/period	(8,919)	(10,132)	(12,167)	(5,877)
Distribution to the Controlling Shareholders (note 32)	—	—	(40,956)	—
Carrying amount at end of year/period	<u>507,942</u>	<u>547,398</u>	<u>516,239</u>	<u>575,504</u>

The carrying amount of the Group's prepaid lease payments represents the carrying amount of land use rights situated in Mainland China. The Group was in process of applying for the land certificates with carrying amounts of RMB84,879,000, RMB65,254,000, RMB27,931,000 and RMB41,427,000 as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

16. INTANGIBLE ASSETS

Group

	Software	Pipeline rights	Total
	RMB'000	RMB'000	RMB'000
31 December 2012			
At 1 January 2012:			
Cost.....	1,300	2,430	3,730
Accumulated amortization.....	(317)	(758)	(1,075)
Net carrying amount.....	<u>983</u>	<u>1,672</u>	<u>2,655</u>
Cost at 1 January 2012, net of accumulated amortization	983	1,672	2,655
Additions during the year	610	446	1,056
Amortization provided during the year.....	(291)	(523)	(814)
At 31 December 2012	<u>1,302</u>	<u>1,595</u>	<u>2,897</u>
At 31 December 2012 and at 1 January 2013:			
Cost.....	1,881	2,876	4,757
Accumulated amortization.....	(579)	(1,281)	(1,860)
Net carrying amount.....	<u>1,302</u>	<u>1,595</u>	<u>2,897</u>
31 December 2013			
Cost at 1 January 2013, net of accumulated amortization	1,302	1,595	2,897
Additions during the year	255	38	293
Amortization provided during the year.....	(340)	(569)	(909)
At 31 December 2013	<u>1,217</u>	<u>1,064</u>	<u>2,281</u>
At 31 December 2013 and at 1 January 2014:			
Cost.....	2,136	2,913	5,049
Accumulated amortization.....	(919)	(1,849)	(2,768)
Net carrying amount.....	<u>1,217</u>	<u>1,064</u>	<u>2,281</u>
31 December 2014			
Cost at 1 January 2014, net of accumulated amortization	1,217	1,064	2,281
Additions during the year.....	62	—	62
Amortization provided during the year.....	(357)	(458)	(815)
At 31 December 2014	<u>922</u>	<u>606</u>	<u>1,528</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

16. INTANGIBLE ASSETS (continued)

Group (continued)

	Software	Pipeline rights	Total
	RMB'000	RMB'000	RMB'000
31 December 2014 (continued)			
At 31 December 2014 and at 1 January 2015:			
Cost.....	2,198	2,913	5,111
Accumulated amortization.....	(1,276)	(2,307)	(3,583)
Net carrying amount.....	<u>922</u>	<u>606</u>	<u>1,528</u>
30 June 2015			
Cost at 1 January 2015, net of accumulated amortization	922	606	1,528
Additions during the period	36	—	36
Amortization provided during the period.....	(181)	(226)	(407)
At 30 June 2015	<u>777</u>	<u>380</u>	<u>1,157</u>
At 30 June 2015:			
Cost.....	2,234	2,913	5,147
Accumulated amortization.....	(1,457)	(2,533)	(3,990)
Net carrying amount.....	<u>777</u>	<u>380</u>	<u>1,157</u>

17. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted shares, at cost	<u>—</u>	<u>—</u>	<u>1</u>	<u>1</u>

Particulars of the directly and indirectly-held subsidiaries are disclosed in note 1 to the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

18. AVAILABLE-FOR-SALE INVESTMENT

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Unlisted equity investment, at cost.....	<u>180,000</u>	<u>180,000</u>	<u>—</u>	<u>—</u>

As at 31 December 2012 and 2013, the unlisted equity investment was stated at cost less impairment because the investment did not have a quoted market price in an active market and, in the opinion of the Directors, the fair value of the investment cannot be measured reliably. The available-for-sale investment was distributed to the Controlling Shareholders during the Reorganization in 2014 (note 32).

19. PREPAYMENTS

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments of prepaid land lease payments	1,660	6,600	16,795	—
Prepayments of purchase property, plant and equipment	<u>370,825</u>	<u>366,098</u>	<u>98,991</u>	<u>104,732</u>
	<u>372,485</u>	<u>372,698</u>	<u>115,786</u>	<u>104,732</u>

Prepayments are unsecured and non-interest-bearing. None of the above assets is either past due or impaired.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

20. INVENTORIES

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Raw materials and packaging materials	930,955	810,376	684,613	441,072
Finished goods	281,852	288,168	405,830	282,752
	<u>1,212,807</u>	<u>1,098,544</u>	<u>1,090,443</u>	<u>723,824</u>

21. TRADE RECEIVABLES

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	77,033	218,609	192,471	227,979
Impairment	(913)	(913)	(715)	(715)
	<u>76,120</u>	<u>217,696</u>	<u>191,756</u>	<u>227,264</u>

The credit period is ranging from 30 to 90 days. The aging analysis of trade receivables (net of impairment losses for bad and doubtful debts), based on invoice date, as at the end of the Relevant Periods is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days.....	66,734	200,471	181,125	195,617
91 to 180 days	3,181	15,852	8,956	29,096
181 to 365 days	5,684	1,090	1,395	2,551
Over 1 year.....	521	283	280	—
	<u>76,120</u>	<u>217,696</u>	<u>191,756</u>	<u>227,264</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

21. TRADE RECEIVABLES (continued)

Group (continued)

The movements in provision for impairment of trade receivables are as below:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	913	913	913	715
Amount written off as uncollectible	—	—	(198)	—
At end of year/period.....	<u>913</u>	<u>913</u>	<u>715</u>	<u>715</u>

The aging analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Neither past due nor impaired	54,824	151,535	146,050	143,206
Past due but not impaired:				
Less than 90 days past due	11,910	48,936	35,075	62,110
90 to 180 days past due	3,181	15,852	8,956	20,248
Over 180 days past due.....	<u>6,205</u>	<u>1,373</u>	<u>1,675</u>	<u>1,700</u>
	<u>76,120</u>	<u>217,696</u>	<u>191,756</u>	<u>227,264</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that are past due but not impaired related to a number of independent customers that have a good track record with the Group. The Group has not impaired these debtors as there has not been a significant change in credit quality and the directors believe that the amounts are recoverable. The Group does not hold any collateral over these balances.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayments to suppliers.....	84,621	76,826	32,560	50,415
Prepayments for advertising services.....	8,587	20,433	20,908	31,995
Deposits.....	25,000	13,000	4,200	—
VAT recoverable (i).....	82,327	54,424	20,018	4,209
Other receivables	6,949	11,184	9,145	10,648
	<u>207,484</u>	<u>175,867</u>	<u>86,831</u>	<u>97,267</u>

- (i) The Group's sales of food and beverage are subject to Mainland China Value Added Tax ("VAT"). Input VAT on purchases can be deducted from output VAT payable. The VAT recoverable is the net difference between output and deductible input VAT. The applicable tax rate for domestic sales of the Group is 17%.

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment. None of the above assets is either past due or impaired.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	383,170	641,571	628,851	1,264,658
Time deposits with original maturity of less than three months	—	—	—	670,000
Pledged short-term deposits	<u>24,670</u>	<u>36,926</u>	<u>6,205</u>	<u>3,350</u>
	407,840	678,497	635,056	1,938,008
Less: Pledged short-term deposits	<u>(24,670)</u>	<u>(36,926)</u>	<u>(6,205)</u>	<u>(3,350)</u>
Cash and cash equivalents	<u>383,170</u>	<u>641,571</u>	<u>628,851</u>	<u>1,934,658</u>

Pledged short-term deposits were pledged as security for insurance of bills payable of the Group (note 24).

II. NOTES TO THE FINANCIAL INFORMATION (continued)

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS (continued)

As at 31 December 2012, 2013 and 2014 and 30 June 2015, the Group's cash and bank balances denominated in a currency other than RMB amounted to RMB15,810,000, RMB2,973,000, RMB1,708,000 and RMB30,884,000, respectively.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

24. TRADE AND BILLS PAYABLES

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	718,498	831,271	759,210	1,005,664
Bills payable	<u>24,670</u>	<u>36,926</u>	<u>11,405</u>	<u>6,700</u>
	<u>743,168</u>	<u>868,197</u>	<u>770,615</u>	<u>1,012,364</u>

An aging analysis of the trade and bills payables as at the end of the Relevant Periods, based on the transaction date, is as follows:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within 90 days	701,761	814,667	720,848	941,371
91 to 365 days	31,490	39,683	33,159	62,645
1 to 2 years	7,104	7,871	11,311	7,031
Over 2 years	<u>2,813</u>	<u>5,976</u>	<u>5,297</u>	<u>1,317</u>
	<u>743,168</u>	<u>868,197</u>	<u>770,615</u>	<u>1,012,364</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

24. TRADE AND BILLS PAYABLES (continued)

The bills payable were secured by the pledge of the Group's short-term deposits of RMB24,670,000, RMB36,926,000, RMB6,205,000 and RMB3,350,000 at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively (note 23).

The trade payables are non-interest-bearing and normally settled within 30 days. The bills payable are non-interest-bearing and normally settled within 90 days.

25. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Advances from customers	506,868	410,274	353,141	330,825
Payables for purchase of property, plant and equipment	166,502	194,000	178,851	169,248
Payables for purchase of prepaid land lease payments	63,730	51,230	37,217	49,175
Payroll and welfare payables.....	56,316	73,527	85,161	108,189
Other tax payable.....	69,138	98,178	90,222	109,806
Other payables	<u>38,494</u>	<u>72,516</u>	<u>68,110</u>	<u>123,857</u>
	<u>901,048</u>	<u>899,725</u>	<u>812,702</u>	<u>891,100</u>

Other payables are unsecured, non-interest-bearing and repayable on demand.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

26. DEFERRED TAX

Group

Deferred tax assets

The movements in deferred tax assets during the Relevant Periods are as follows:

	Unrealized internal sale profit	Losses available for offsetting against future taxable profits	Payroll and welfare payables	Accruals	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	1,405	1,553	13,963	5,206	2,619	24,746
Deferred tax credited/(charged) to profit or loss during the year (note 9)	1,264	3,959	67	1,592	(158)	6,724
At 31 December 2012 and at 1 January 2013	2,669	5,512	14,030	6,798	2,461	31,470
Deferred tax credited/(charged) to profit or loss during the year (note 9)	792	(437)	4,337	3,924	250	8,866
At 31 December 2013 and at 1 January 2014	3,461	5,075	18,367	10,722	2,711	40,336
Deferred tax credited/(charged) to profit or loss during the year (note 9)	3,796	1,328	4,106	831	(191)	9,870
Distribution to the Controlling Shareholders (note 32)	—	—	(1,201)	(1,401)	—	(2,602)
At 31 December 2014 and at 1 January 2015	7,257	6,403	21,272	10,152	2,520	47,604
Deferred tax credited/(charged) to profit or loss during the period (note 9)	(971)	(2,710)	(21,272)	5,699	(258)	(19,512)
At 30 June 2015	6,286	3,693	—	15,851	2,262	28,092

II. NOTES TO THE FINANCIAL INFORMATION (continued)

26. DEFERRED TAX (continued)

Group (continued)

The Group has tax losses arising in Hong Kong of RMB6,851,000 as of 30 June 2015 (31 December 2014: nil) that are available indefinitely for offsetting against future taxable profits of the subsidiary in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in the subsidiary that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax liabilities

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at the end of each of the Relevant Periods, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of certain subsidiaries established in Mainland China. In the opinion of the Directors, it is not probable that these subsidiaries will distribute earnings arising from 1 January 2008 to 30 June 2015 in the foreseeable future. The aggregate amount of temporary differences associated with the investment in these subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately nil, nil, RMB72,801,000 and RMB1,381,120,000, as at 31 December 2012, 2013 and 2014 and 30 June 2015, respectively.

27. OTHER BORROWING

As at 30 June 2015		
	Maturity	RMB'000
Other loan — secured	November 2015	<u>5,000</u>

The Group's other borrowing, lent by a local authority, is secured by the Group's plant and machinery with a carrying value at 30 June 2015 of approximately RMB8,711,000.

The Group's other borrowing is denominated in RMB and free of interest.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

28. DIVIDENDS PAYABLE

In connection with the Reorganization, the dividends, declared by certain subsidiaries of the Company in Mainland China in 2014, were payable to Fujian Dali Foods Group Co., Ltd, the then holding company of the Group's PRC subsidiaries before completion of the Reorganization and also a related party controlled by the Controlling Shareholders after the Reorganization. Such dividends payable had been paid in 2015.

29. DEFERRED REVENUE

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	115,579	166,327	206,104	266,515
Additions during the year/period	53,783	47,328	71,610	6,037
Released to profit or loss	(3,035)	(7,551)	(11,199)	(7,543)
At end of year/period	<u>166,327</u>	<u>206,104</u>	<u>266,515</u>	<u>265,009</u>

Government grants have been awarded for the construction of certain items of property, plant and equipment of the Company's subsidiaries. There are no unfulfilled conditions and contingencies relating to these grants.

30. SHARE CAPITAL

Shares

	31 December 2014	30 June 2015
	RMB	RMB
Authorized:		
50,000 ordinary shares of USD1 each	<u>306,995</u>	<u>306,995</u>
Issued and fully paid:		
10,000 (31 December 2014:100) ordinary shares of USD1 each	<u>614</u>	<u>61,136</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)**30. SHARE CAPITAL (continued)****Shares (continued)**

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 November 2014 with initial authorized share capital of USD50,000 divided into 50,000 shares of a par value of USD1 each. On the date of incorporation, 1 ordinary share at par value of USD1 was allotted and issued to the Parent as fully paid. On 15 November 2014, the Company further issued and allotted 99 shares to the Parent at par value as fully paid.

On 5 May 2015, the Company issued 9,600 ordinary shares of USD1 each to the shareholders of the Company as fully paid at par. On 5 May 2015, the Company allotted and issued 300 ordinary shares to CDH Delicacy Holdings Limited at a consideration of RMB1.11 billion. The excess of consideration of RMB1.11 billion over the nominal value of USD300 (equivalent to RMB2,000) of the Company's shares was credited to the share premium.

31. RESERVES**(a) Group**

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

Share premium

The share premium of the Group represents the amount paid by shareholders for capital injection in excess of its nominal value. Details of the movements in the share premium are set out in the consolidated statements of changes in equity.

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganization as mentioned in note 2.1 of Section II to the Financial Information. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

Surplus reserve

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their boards of directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

31. RESERVES (continued)

(a) Group (continued)

Surplus reserve (continued)

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalized as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilized to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

(b) Company

	Share premium
	RMB'000
Balance at 1 January 2015	—
Issue of shares	<u>1,109,921</u>
At 30 June 2015	<u><u>1,109,921</u></u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

32. NON-CASH TRANSACTIONS

In connection with the Reorganization, the assets and liabilities distributed to and retained by the Controlling Shareholders are as follows:

	Year ended 31 December 2014
	RMB'000
Assets	
Property, plant and equipment (note 14).....	171,088
Trade receivables	80,382
Prepayments, deposits and other receivables	21,562
Loan to a related party (note 36)	200,000
Prepaid land lease payments (note 15)	40,956
Available-for-sale investment	180,000
Deferred tax assets (note 26)	2,602
Inventories	7,850
Due from the Controlling Shareholders	51,906
Due from related parties	3,088,902
Prepaid tax	117,698
Dividends receivable	1,125,756
Total assets	<u>5,088,702</u>
Liabilities	
Trade and bills payables	117,434
Other payables and accruals	37,418
Tax payable	16,638
Dividends payable	80,000
Total liabilities	<u>251,490</u>
Net assets	<u>4,837,212</u>

33. CONTINGENT LIABILITIES

As at the end of the Relevant Periods, neither the Group nor the Company had any significant contingent liabilities.

34. PLEDGE OF ASSETS

Details of the Group's bills payable and other borrowing, which are secured by the assets of the Group, are included in notes 24 and 27, respectively, to the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

35. COMMITMENTS

(a) Capital commitments

The Group had the following capital commitments at the end of the Relevant Periods:

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Contracted, but not provided for:				
Property, plant and equipment.....	<u>330,446</u>	<u>510,580</u>	<u>319,085</u>	<u>229,436</u>

(b) Operating lease commitments

At the end of the Relevant Periods, the Group had total future minimum lease payments under non-cancellable operating lease payables as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Within one year	—	—	—	17,039
In the second to fifth years, inclusive	—	—	—	68,155
After five years.....	—	—	—	76,675
	<u>—</u>	<u>—</u>	<u>—</u>	<u>161,869</u>

The Group leases certain of its properties and prepaid land lease payments under operating lease arrangements. Leases for properties are negotiated for a term of 10 years.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties:

Group

Sales of products:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hubei Dali Estate Co., Ltd.....	1,440	358	873	873	—
Dali Century Hotel Co., Ltd.....	—	37	74	33	83
	<u>1,440</u>	<u>395</u>	<u>947</u>	<u>906</u>	<u>83</u>

The sales to Hubei Dali Estate Co., Ltd. and Dali Century Hotel Co., Ltd., which are companies controlled by the Controlling Shareholders, were made according to the published prices and conditions offered to the major customers of the Group.

Loan lent to:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hubei Dali Estate Co., Ltd.....	<u>—</u>	<u>—</u>	<u>200,000</u>	<u>—</u>	<u>—</u>

The loan lent to Hubei Dali Estate Co., Ltd. bears interest at 9.9% per annum and the maturity date of the loan is 26 October 2016. The loan was distributed to the Controlling Shareholders in connection with the Reorganization (note 32).

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

Advance to:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hubei Dali Estate Co., Ltd.....	—	—	—	—	13,000

The advance was repaid by Hubei Dali Estate Co., Ltd. in July 2015.

Interest income:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hubei Dali Estate Co., Ltd.....	—	—	3,355	—	—

The interest income was in relation to the loan lent to Hubei Dali Estate Co., Ltd.

Rental expenses

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fujian Dali Foods Group Co., Ltd.	—	—	—	—	8,520

Rental expenses represent expenses from leases of properties and prepaid land lease payments which are charged in accordance with the terms of agreements made between the parties.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

Advances from the Controlling Shareholders:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Ms. Chen Liling.....	217,131	287,644	36,136	28,211	1,100
Mr. Xu Shihui.....	584,864	625,813	11,450	9,100	1,500
Ms. Xu Yangyang.....	41,649	63,541	917	—	78,131
	<u>843,644</u>	<u>976,998</u>	<u>48,503</u>	<u>37,311</u>	<u>80,731</u>

Repayment of advances from the Controlling Shareholders:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Ms. Chen Liling.....	110,788	148,102	460,110	159,371	46,778
Mr. Xu Shihui.....	376,314	307,329	701,736	382,913	159,317
Ms. Xu Yangyang.....	87,994	47,996	69,745	40,045	79,047
	<u>575,096</u>	<u>503,427</u>	<u>1,231,591</u>	<u>582,329</u>	<u>285,142</u>

Advances from related parties:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hubei Dali Estate Co., Ltd.....	43,000	—	7,000	7,000	—
Fujian Dali Estate Co., Ltd.	15,000	—	—	—	—
Quanzhou Dali Investment Co., Ltd.	—	—	2,000	2,000	—
	<u>58,000</u>	<u>—</u>	<u>9,000</u>	<u>9,000</u>	<u>—</u>

Fujian Dali Estate Co., Ltd. and Quanzhou Dali Investment Co., Ltd. are companies controlled by the Controlling Shareholders.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties: (continued)

Repayment of advances from related parties:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Hubei Dali Estate Co., Ltd.....	—	43,000	7,000	6,131	—
Fujian Dali Estate Co., Ltd.	—	5,042	9,998	9,998	—
	—	48,042	16,998	16,129	—

Repayment of amounts due to a related party in connection with the Reorganization:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fujian Dali Foods Group Co., Ltd.	—	—	—	—	649,021

Services purchased:

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Dali Century Hotel Co., Ltd.....	—	—	—	—	212

The services incurred for purchase of accommodation and catering services from Dali Century Hotel Co., Ltd. were made according to the published prices.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS (continued)

(b) Due from a related party

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Hubei Dali Estate Co., Ltd.....	—	—	—	13,000

The amounts due to related parties were non-trade in nature. During the Relevant Periods, these balances were unsecured, interest-free and payable on demand.

(c) Due to related parties other than the Controlling Shareholders:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Fujian Dali Estate Co., Ltd.	15,000	9,958	—	—
Fujian Dali Foods Group Co., Ltd.....	—	—	3,081,750	2,432,729
Hubei Dali Estate Co., Ltd.....	43,000	—	—	—
	<u>58,000</u>	<u>9,958</u>	<u>3,081,750</u>	<u>2,432,729</u>

The amounts due to related parties were non-trade in nature. During the Relevant Periods, these balances were unsecured, interest-free and payable on demand. The amounts due to related parties other than the Controlling Shareholders were fully settled by the Group in August 2015.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

36. RELATED PARTY TRANSACTIONS (continued)

(d) Due to the Controlling Shareholders:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Ms. Chen Liling.....	317,908	457,450	45,678	—
Mr. Xu Shihui.....	489,915	808,399	157,817	—
Ms. Xu Yangyang.....	54,200	69,745	916	—
	<u>862,023</u>	<u>1,335,594</u>	<u>204,411</u>	<u>—</u>

The amounts due to the Controlling Shareholders were non-trade in nature.

During the Relevant Periods, these balances were unsecured, interest-free and payable on demand.

(e) Compensation of key management personnel of the Group:

Group

	Year ended 31 December			Six months ended 30 June	
	2012	2013	2014	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries.....	1,247	2,201	2,488	1,244	4,467
Pension scheme contribution	102	114	138	69	89
	<u>1,349</u>	<u>2,315</u>	<u>2,626</u>	<u>1,313</u>	<u>4,556</u>

Further details of director's emoluments are included in note 7 to the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

Group

As at 31 December 2012

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investment	—	180,000	180,000
Trade and bills receivables.....	76,120	—	76,120
Financial assets included in prepayments, deposits and other receivables	31,949	—	31,949
Pledged deposits	24,670	—	24,670
Cash and cash equivalents.....	383,170	—	383,170
	<u>515,909</u>	<u>180,000</u>	<u>695,909</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	743,168
Financial liabilities included in other payables and accruals.....	268,726
Due to the Controlling Shareholders	862,023
Due to related parties	<u>58,000</u>
	<u>1,931,917</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 31 December 2013

Financial assets

	Loans and receivables	Available-for-sale financial assets	Total
	RMB'000	RMB'000	RMB'000
Available-for-sale investment	—	180,000	180,000
Trade and bills receivables.....	217,696	—	217,696
Financial assets included in prepayments, deposits and other receivables	24,184	—	24,184
Pledged deposits	36,926	—	36,926
Cash and cash equivalents.....	641,571	—	641,571
	<u>920,377</u>	<u>180,000</u>	<u>1,100,377</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	868,197
Financial liabilities included in other payables and accruals.....	317,746
Due to the Controlling Shareholders	1,335,594
Due to related parties	9,958
	<u>2,531,495</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 31 December 2014

Financial assets

	Loans and receivables
	RMB'000
Trade and bills receivables.....	191,756
Financial assets included in prepayments, deposits and other receivables.....	13,345
Pledged deposits	6,205
Cash and cash equivalents.....	628,851
	<u>840,157</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	770,615
Financial liabilities included in other payables and accruals.....	284,178
Due to the Controlling Shareholders	204,411
Due to related parties	3,081,750
Dividends payable.....	1,125,756
	<u>5,466,710</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

37. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group (continued)

As at 30 June 2015

Financial assets

	Loans and receivables
	RMB'000
Trade and bills receivables.....	227,264
Due from a related party.....	13,000
Financial assets included in prepayments, deposits and other receivables	10,648
Pledged deposits	3,350
Cash and cash equivalents.....	1,934,658
	<u>2,188,920</u>

Financial liabilities

	Financial liabilities at amortized cost
	RMB'000
Trade and bills payables	1,012,364
Financial liabilities included in other payables and accruals.....	342,280
Due to related parties	2,432,729
Other borrowing.....	5,000
	<u>3,792,373</u>

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. As at 31 December 2012, 2013 and 2014 and 30 June 2015, the carrying amounts of the Group's financial instruments approximated to their fair values.

II. NOTES TO THE FINANCIAL INFORMATION (continued)**38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS
(continued)**

Management has assessed that the fair values of cash and cash equivalents, trade and bills receivables, amounts due from a related party, financial assets included in prepayments, deposits and other receivables, trade and bills payables, financial liabilities included in other payables and accruals, other borrowing, amounts due to the Controlling Shareholders and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarized below.

Foreign currency risk

The Group's businesses are located in Mainland China and nearly all transactions are conducted in RMB. Nearly all of the Group's assets and liabilities are denominated in RMB except for certain bank balances denominated in foreign currency as disclosed in note 23. As at the end of the Relevant Periods, the Group was not subject to significant foreign currency risk.

Credit risk

The Group has no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents and trade and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets.

As at the end of the Relevant Periods, all pledged deposits and cash and cash equivalents were deposited in high quality financial institutions without significant credit risk.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The maturity profile of the Group's financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

At 31 December 2012

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	743,168	—	—	—	743,168
Financial liabilities included in other payables and accruals ..	38,494	230,232	—	—	—	268,726
Due to the Controlling Shareholders	862,023	—	—	—	—	862,023
Due to related parties.....	58,000	—	—	—	—	58,000
	<u>958,517</u>	<u>973,400</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,931,917</u>

At 31 December 2013

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	868,197	—	—	—	868,197
Financial liabilities included in other payables and accruals ..	72,516	245,230	—	—	—	317,746
Due to the Controlling Shareholders	1,335,594	—	—	—	—	1,335,594
Due to related parties.....	9,958	—	—	—	—	9,958
	<u>1,418,068</u>	<u>1,113,427</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,531,495</u>

II. NOTES TO THE FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Group (continued)

At 31 December 2014

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	770,615	—	—	—	770,615
Financial liabilities included in other payables and accruals ..	68,110	216,068	—	—	—	284,178
Due to the Controlling Shareholders	204,411	—	—	—	—	204,411
Dividends payable	1,125,756	—	—	—	—	1,125,756
Due to related parties	3,081,750	—	—	—	—	3,081,750
	<u>4,480,027</u>	<u>986,683</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>5,466,710</u>

At 30 June 2015

	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	—	1,012,364	—	—	—	1,012,364
Financial liabilities included in other payables and accruals ..	123,857	218,423	—	—	—	342,280
Other borrowing	—	—	5,000	—	—	5,000
Due to related parties	2,432,729	—	—	—	—	2,432,729
	<u>2,556,586</u>	<u>1,230,787</u>	<u>5,000</u>	<u>—</u>	<u>—</u>	<u>3,792,373</u>

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

II. NOTES TO THE FINANCIAL INFORMATION (continued)

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Capital management (continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is net debt divided by the capital plus net debt. Net debt includes trade and bills payables, financial liabilities included in other payables and accruals, amounts due to the Controlling Shareholders and related parties, dividends payable and other borrowing less cash and cash equivalents. Capital represents equity attribute to the owners of the parent. The gearing ratios as at the end of the Relevant Periods were as follows:

Group

	As at 31 December			As at 30 June
	2012	2013	2014	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and bills payables	743,168	868,197	770,615	1,012,364
Other payables and accruals	268,726	317,746	284,178	342,280
Other borrowing	—	—	—	5,000
Due to the Controlling Shareholders	862,023	1,335,594	204,411	—
Due to related parties	58,000	9,958	3,081,750	2,432,729
Dividends payable	—	—	1,125,756	—
Less: Cash and cash equivalents	(383,170)	(641,571)	(628,851)	(1,934,658)
Net debt	1,548,747	1,889,924	4,837,859	1,857,715
Equity attributable to owners of the parent	3,830,454	4,032,602	550,201	3,192,046
Capital and net debt	5,379,201	5,922,526	5,388,060	5,049,761
Gearing ratio	29%	32%	90%	37%

II. NOTES TO THE FINANCIAL INFORMATION (continued)**40. EVENTS AFTER THE REPORTING PERIOD**

- (a) As detailed in the section headed “Appendix IV—Statutory and General Information—D. Share Option Scheme”, the rules of a share option scheme were approved by the then shareholders of the Company on 25 August 2015 and were adopted conditionally upon and with effect from the listing of the shares of the Company on the Stock Exchange, pursuant to which, the Directors were authorized to, among others, grant, allot and issue the shares pursuant to the exercise of any options granted to the qualified participants under the share option scheme. The maximum number of shares in respect of which options may be granted under the share option scheme and any other share option schemes of the Company shall not in aggregate exceed the number of shares that representing 10% of the total number of shares in issue as at the listing date. As at the date of this report, no share options were granted.
- (b) On 25 August 2015, the Company’s authorized share capital was increased from USD50,000 divided into 50,000 ordinary shares of a par value of USD1.00 each to the aggregate of USD50,000 and HKD500,000,000 divided into (i) 50,000 ordinary shares of a par value of USD1.00 each and (ii) 50,000,000,000 shares of a par value of HKD0.01 each by the creation of 50,000,000,000 shares of a par value of HKD0.01 each.

On 14 October 2015, 10,000 ordinary shares of a par value of HKD0.01 each of the Company were allotted and issued to the then existing shareholders in proportion to their respective shareholdings in the Company and credited as fully paid.

On 14 October 2015, 10,000 ordinary shares of a par value of USD1.00 each of the Company were repurchased and cancelled and the Company’s authorized share capital was reduced by cancellation of the 50,000 authorized but unissued ordinary shares of a par value of USD1.00 each, following which, the authorized share capital of the Company was HKD500,000,000 divided into 50,000,000,000 shares of a par value of HKD0.01 each.

Except as disclosed elsewhere in this report and the items disclosed above, there is no material subsequent event undertaken by the Company or by the Group after 30 June 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

(A) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma data relating to our net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Global Offering on our net tangible assets as at June 30, 2015 as if the Global Offering had taken place on that date.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2015 or any subsequent dates, including following the Global Offering.

	Audited consolidated net tangible assets of our Group attributable to the owners of the Company as at June 30, 2015	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of our Group attributable to the owners of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB in million (Note 1)	RMB in million (Note 2)	RMB in million	RMB (Note 3)	HK\$ equivalent (Note 4)
Based on an offer price of					
HK\$5.00 per Share	3,190.8	6,711.6	9,902.4	0.72	0.88
Based on an offer price of					
HK\$6.15 per Share	3,190.8	8,271.0	11,461.8	0.84	1.02

Notes:

1. The consolidated net tangible assets of our Group attributable to owners of the Company as of June 30, 2015 is extracted from "Appendix I—Accountants' Report" to this prospectus, which is based on the audited consolidated equity attributable to owners of the Company as of June 30, 2015 of RMB3,192.0 million less intangible assets as of June 30, 2015 of RMB1.2 million.
2. The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$5.00 or HK\$6.15 per Share after deduction of the underwriting fees and other related expenses payable by our Company and takes no account of any Shares which may be issued upon the exercise of the Over-allotment Option.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 13,694,117,500 Shares are in issue assuming the Global Offering has been completed on June 30, 2015 and an Offer Price of HK\$5.00 per Share, being the low end of the Offer Price range, and 13,694,117,500 Shares are in issue assuming that the Global Offering has been completed on June 30, 2015 and an Offer Price of HK\$6.15 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.
4. The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK\$1.00 to RMB0.81929.
5. No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2015.

(B) LETTER FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from our independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this prospectus, in respect of the unaudited pro forma financial information of the Group.



22/F, CITIC Tower,
1 Tim Mei Avenue,
Central, Hong Kong

10 November 2015

The Directors
Dali Foods Group Company Limited

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of Dali Foods Group Company Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 June 2015, and related notes as set out in Part A of Appendix II to this Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note in Part A of Appendix II to this Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 June 2015 as if the transaction had taken place at 30 June 2015. As part of this process, information about the Group’s financial position, has been extracted by the Directors from the Group’s financial statements for the period ended 30 June 2015, on which an accountants’ report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Reporting Accountants’ responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants’ judgment, having regard to the reporting accountants’ understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

ERNST & YOUNG

Certified Public Accountants

Hong Kong

SUMMARY OF THE CONSTITUTION OF THE COMPANY**1. Memorandum of Association**

The Memorandum of Association of the Company was conditionally adopted on August 25, 2015 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection”.

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on August 25, 2015 and include provisions to the following effect:

2.1 *Classes of Shares*

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is HK\$500,000,000 divided into 50,000,000,000 shares of HK\$0.01 each.

2.2 *Directors***(a) *Power to allot and issue Shares***

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) *Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) *Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) *Financial assistance to purchase Shares*

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) *Disclosure of interest in contracts with the Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason

only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of

any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 *Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorization shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the

Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at every annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notorially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 *Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares,

together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.19 *Rights of minorities in relation to fraud or oppression*

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 *Procedure on liquidation*

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Law, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 *Untraceable members*

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period

of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 November 2014 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;
- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12. Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) “merger” means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) “consolidation” means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company’s articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

Maples and Calder, the Company's legal advisors on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

We were incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Law on November 4, 2014. We have established a principal place of business in Hong Kong at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong and have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance under the same address on July 3, 2015. Ms. Cheng Pik Yuk has been appointed as our authorized representative for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum of Association and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum of Association and Articles of Association is set out in the section headed "Appendix III—Summary of the Constitution of the Company and Cayman Companies Law" in this prospectus.

2. Change in Share Capital

As of the date of incorporation of our Company, our authorized share capital was US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each. The following sets out the changes in our Company's share capital within the two years immediately preceding the issue of this prospectus.

On November 4, 2014, we allotted and issued one ordinary share of a par value of US\$1.00 each to Mapcal Limited. On the same day, Mapcal Limited transferred the one ordinary share of a par value of US\$1.00 each of our Company it held to Divine Foods. On November 15, 2014, we allotted and issued 99 ordinary shares of a par value of US\$1.00 each to Divine Foods. As a result, as at such date, Divine Foods held 100 ordinary shares of a par value of US\$1.00 each of our Company.

On May 4, 2015, we allotted and issued 9,600 ordinary shares and 300 ordinary shares of a par value of US\$1.00 each to Divine Foods and CDH Delicacy, respectively.

On August 25, 2015, our authorized share capital was increased from US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each to the aggregate of US\$50,000 and HK\$500,000,000 divided into (i) 50,000 ordinary shares of a par value of US\$1.00 each and (ii) 50,000,000,000 Shares of a par value of HK\$0.01 each by the creation of 50,000,000,000 Shares of a par value of HK\$0.01 each.

On October 14, 2015, 10,000 Shares were allotted and issued to the then existing Shareholders in proportion to their respective shareholdings in our Company and credited as fully paid.

On October 14, 2015, 10,000 ordinary shares of a par value of US\$1.00 each of our Company were repurchased and cancelled and our authorized share capital was reduced by cancellation of the 50,000 authorized but unissued ordinary shares of a par value of US\$1.00 each, following which, the authorized share capital of the Company was HK\$500,000,000 divided into 50,000,000,000 Shares of a par value of HK\$0.01 each.

Immediately following the Capitalization Issue and before the Global Offering, the issued share capital of our Company will be HK\$120,000,000 divided into 12,000,000,000 Shares of a par value of HK\$0.01 each, all fully paid or credited as fully paid and 38,000,000,000 Shares of a par value of HK\$0.01 each will remain unissued.

Save as disclosed herein, there has been no alteration in our share capital and no redemption, repurchase or sale of any of our share capital since our incorporation.

3. Resolutions of our Shareholders

Pursuant to a written shareholders' resolution of our Company dated August 25, 2015.

- (a) the Memorandum and Articles of Association were approved and adopted conditional upon Listing;
- (b) increase in authorized share capital from US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each to the aggregate of US\$50,000 and HK\$500,000,000 divided into (i) 50,000 ordinary shares of a par value of US\$1.00 each and (ii) 50,000,000,000 Shares of a par value of HK\$0.01 each by the creation of 50,000,000,000 Shares of a par value of HK\$0.01 each was approved;
- (c) subject to the repurchase of 10,000 ordinary shares of a par value of US\$1.00 each of our Company, the reduction of authorized share capital to HK\$500,000,000 divided into 50,000,000,000 Shares of a par value of HK\$0.01 each, by cancellation of the 50,000 authorized but unissued ordinary shares of a par value of US\$1.00 each was approved;
- (d) following the change in authorized share capital of our Company as referred to in paragraphs (b) and (c) above and conditional on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the issue of the Offer Shares by our Company pursuant to the Global Offering, the Directors were authorized to capitalize HK\$119,999,900 standing to the credit of the share premium account of our Company by applying such sum to pay up in full at par 11,999,990,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on the date immediately preceding the date on which the Global Offering becoming unconditional in proportion to their respective shareholdings (as nearly as possible without involving fractions) in our Company or in accordance with the direction of such member;

- (e) conditional upon all the conditions set out in “Structure of the Global Offering—Conditions of the Hong Kong Public Offering” in this prospectus being fulfilled:
 - (i) the Global Offering and the Over-allotment Option were approved and the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to make or effect such modifications as it thinks fit;
 - (ii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to allot, issue and approve the transfer of such number of Shares in connection with the Global Offering; and
 - (iii) the Board (or any committee thereof established by the Board pursuant to the Articles) was authorized to agree to the Offer price per Offer Share with the Joint Bookrunners; and
- (f) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers or agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted, issued or dealt with, otherwise than pursuant to the Global Offering, a right issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time on a specific authority granted by the Shareholders in general meeting or, pursuant to the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles, Shares not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever is the earliest;
- (g) a general unconditional mandate was given to the Directors authorizing them to exercise all the powers of our Company to repurchase its own Shares on the Stock Exchange or on any other approved stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, such mandate to remain in effect until the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the next annual general meeting of our Company is required to be held by the Articles or any applicable laws, or until revoked or varied by an ordinary resolution of Shareholders in general meeting, whichever occurs first;

- (h) the general mandate mentioned in paragraph (f) above be extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted, or agreed conditionally or unconditionally to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to purchase shares referred to in paragraph (g) above; and
- (i) the Share Option Scheme was approved and adopted and our Directors was authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options granted under the Share Option Scheme.

4. Corporation Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the listing of our Shares on the Stock Exchange. Please see the section headed “History, Development and Reorganization” in this prospectus for further details relating to the Reorganization.

5. Changes in the Share Capital of Subsidiaries

Our subsidiaries during the Track Record Period are referred to in the Accountants’ Report set out in Appendix I to this prospectus. The following alterations in the share or registered capital of our subsidiaries have taken place within two years immediately preceding the date of this prospectus.

(1) *Dali (HK)*

On November 11, 2014, Dali (HK) was incorporated under the laws of Hong Kong with an issued share capital of HK\$100 which was fully paid-up.

(2) *Xiamen Dali*

On May 20, 2014, pursuant to a shareholder’s resolution of Xiamen Dali, the registered capital of Xiamen Dali was increased from RMB10 million to RMB40 million, as a result of capital injection by Fujian Dali.

(3) *Shaanxi Dali*

On April 20, 2014, pursuant to a shareholder’s resolution of Shaanxi Dali, the registered capital of Shaanxi Dali was increased from RMB70 million to RMB80 million, as a result of capital injection by Fujian Dali.

(4) *Hebei Dali*

On July 30, 2014, pursuant to a shareholder's resolution of Hebei Dali, the registered capital of Hebei Dali was increased from RMB70 million to RMB100 million, as a result of capital injection by Fujian Dali.

6. Repurchase of our own securities

(a) *Provisions of the Listing Rules*

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the more important of which are summarized below:

(i) *Shareholders' approval*

All proposed repurchases of Shares (which must be fully paid up) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the Shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a written shareholder's resolution of our Company dated August 25, 2015, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorizing any repurchase by our Company of Shares on the Stock Exchange or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option until at the conclusion of our next annual general meeting, or the expiration of the period within which our Company's next annual general meeting is required to be held under any applicable laws of the Articles, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles and the applicable laws and regulations of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

(iii) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares without the prior approval of the Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require. As required by the prevailing requirements of the Listing Rules, an issuer shall not purchase its shares on the Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(iv) Status of repurchased Shares

All repurchased Shares (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those Shares must be cancelled and destroyed. Under Cayman Companies Law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate value of the repurchased shares accordingly although the authorized share capital of the company will not be reduced.

(v) Suspension of repurchase

Pursuant to the Listing Rules, our Company may not make any repurchases of Shares after inside information has come to its knowledge until the information is made publicly available. In particular, under the requirements of the Listing Rules in force as of the date hereof, during the period of one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Stock Exchange unless the circumstances are exceptional.

(vi) *Procedural and reporting requirements*

As required by the Listing Rules, repurchases of Shares on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Stock Exchange business day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) *Connected parties*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a connected person (as defined in the Listing Rules) and a connected person shall not knowingly sell its securities to the company on the Stock Exchange.

(b) *Reasons for repurchases*

The Directors believe that it is in the best interests of our Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where the Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position as disclosed in this prospectus and taking into account the current working capital position, the Directors consider that, if the Repurchase Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Company as compared with the position disclosed in this prospectus. The Directors, however, do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of our Company which in the opinion of the Directors are from time to time appropriate for our Company.

The exercise in full of the Repurchase Mandate, on the basis of 13,694,117,500 Shares in issue immediately following the completion of the Global Offering (but not taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option), could accordingly result in 1,369,411,750 Shares being repurchased by our Company during the period until at the conclusion of our next annual general meeting, or the expiration of the period within which our next Company's annual general meeting is required to be held under any applicable laws or the Articles, or the variation or revocation of the purchase mandate by an ordinary resolution of the Shareholders in general meeting, whichever is earliest (the "Relevant Period").

(d) **General**

None of the Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate. Any repurchase of Shares which results in the number of Shares held by the public being reduced to less than 25% of our Shares then in issue could only be implemented with the approval of the Stock Exchange to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be given other than in exceptional circumstances.

No connected person has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this prospectus that are or may be material:

- (a) the CDH Subscription Agreement dated April 29, 2015 entered into among CDH Delicacy, our Controlling Shareholders and our Company regarding the allotment and issuance of 300 ordinary shares of a par value of US\$1.00 each of our Company at a consideration of such amount of U.S. dollars equivalent to RMB1.11 billion, the details of which are set out in the section headed "History, Development and Reorganization—Pre-IPO Investment" in this prospectus;











- (b) the Shareholders Agreement dated April 29, 2015 entered into among CDH Delicacy, our Controlling Shareholders and our Company in relation to our Company, pursuant to which CDH Delicacy was granted certain special rights in relation to our Company and the Shareholders Agreement will be terminated upon completion of the Listing, the details of which are set out in the section headed “History, Development and Reorganization—Pre-IPO Investment” in this prospectus;
- (c) the trademark license agreement dated June 3, 2015 entered into among Fujian Dali and our Company pursuant to which Fujian Dali agreed to irrevocably grant our Group an exclusive license, on a royalty-free basis, to use certain trademarks, the details of which are set out in the section headed “Connected Transaction—Continuing Connected Transactions—Exempt Continuing Connected Transactions—Trademark License Agreement” in this prospectus;
- (d) the entrusted loan and borrowing agreement, dated August 7, 2015 entered into among Xing Ye Wealth and Asset Management Co., Ltd. (興業財富資產管理有限公司) as principal, Industrial Bank Co., Ltd., Quanzhou branch (興業銀行股份有限公司泉州分行) as lender and Dali (PRC) as borrower, pursuant to which, among other things, the lender agreed to make available to Dali (PRC) a one-year term entrusted loan in the principal amount of RMB0.49 billion, the details of which are set out in the section headed “Financial Information—Liquidity and Capital Resources—Indebtedness” in this prospectus;
- (e) the entrusted loan and borrowing agreement, dated August 7, 2015 entered into among Xing Ye Wealth and Asset Management Co., Ltd. (興業財富資產管理有限公司) as principal, Industrial Bank Co., Ltd., Quanzhou branch (興業銀行股份有限公司泉州分行) as lender and Dali (PRC) as borrower, pursuant to which, among other things, the lender agreed to make available to Dali (PRC) a one-year term entrusted loan in the principal amount of RMB 0.5 billion, the details of which are set out in the section headed “Financial Information—Liquidity and Capital Resources—Indebtedness” in this prospectus;
- (f) the entrusted loan and borrowing agreement, dated August 7, 2015 entered into among Xing Ye Wealth and Asset Management Co., Ltd. (興業財富資產管理有限公司) as principal, Industrial Bank Co., Ltd., Quanzhou branch (興業銀行股份有限公司泉州分行) as lender and Dali (PRC) as borrower, pursuant to which, among other things, the lender agreed to make available to Dali (PRC) a one-year term entrusted loan in the principal amount of RMB 0.51 billion, the details of which are set out in the section headed “Financial Information—Liquidity and Capital Resources—Indebtedness” in this prospectus;
- (g) the property and land leasing agreement dated August 25, 2015 entered into between Fujian Dali and our Company pursuant to which our Company agreed to lease certain properties and land in the PRC from Fujian Dali, the details of which are set out in the section headed “Connected Transaction—Continuing Connected Transactions—Non-Exempt Continuing Connected Transaction—Property and Land Leasing Agreement” in this prospectus;

- (h) the deed of non-competition dated August 25, 2015 entered into among our Controlling Shareholders and our Company regarding non-competition undertakings given by our Controlling Shareholders in favor of our Company, details of which are set out in the section headed “Relationship with our Controlling Shareholders—Non-competition Undertaking” in this prospectus;
- (i) the deed of indemnity dated August 25, 2015 entered into among our Controlling Shareholders and our Company pursuant to which our Controlling Shareholders agreed to give certain indemnities in our favor, the details of which are set out in “—E. Other Information—1. Indemnities” in this section;
- (j) a cornerstone investment agreement dated November 2, 2015 entered into among our Company, Arisaig Asia Consumer Fund Limited, Arisaig Global Emerging Markets Consumer Fund (Singapore) Pte. Ltd., Arisaig Funds Plc acting for its sub-fund Arisaig Global Emerging Markets Consumer UCITS Fund, Merrill Lynch International and Morgan Stanley Asia Limited, details of which are included in the section headed “Cornerstone Investors” of this prospectus;
- (k) a cornerstone investment agreement dated November 2, 2015 entered into among our Company, JIC Dessert Laboratory Limited, Merrill Lynch International and Morgan Stanley Asia Limited, details of which are included in the section headed “Cornerstone Investors” of this prospectus;
- (l) a cornerstone investment agreement dated November 2, 2015 entered into among our Company, Longbow Securities Limited, Merrill Lynch International and Morgan Stanley Asia Limited, details of which are included in the section headed “Cornerstone Investors” of this prospectus; and
- (m) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of Our Group

Trademarks

As of the Latest Practicable Date, our Group had registered or had obtained a licence to use the following trademarks which are material to our Group's business. Please see the section headed "Connected Transaction—Continuing Connected Transactions—Exempt Continuing Connected Transactions—Trademark License Agreement" for further details of the licensing arrangement for our Group to use trademark(s) whose proprietor(s)/applicant(s) is not a member of our Group:

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
1	* 	Hong Kong	Dali (HK)	300540800	30	December 1, 2015
2	* 	PRC	Fujian Dali	4573656	29	November 20, 2018
3	* 	PRC	Fujian Dali	4573654	32	November 20, 2018
4	* 	PRC	Fujian Dali	5826478	30	November 6, 2019
5	* 	PRC	Fujian Dali	5561468	32	August 6, 2020
6	* 	PRC	Fujian Dali	5561467	30	December 20, 2022
7	* 	Hong Kong	Dali (HK)	301187190	29	August 20, 2018
8	* 	Hong Kong	Dali (HK)	301187190	32	August 20, 2018
9	* 	PRC	Fujian Dali	5155704	30	December 20, 2018
10	* 	Taiwan	Dali (HK)	01358529	29	April 15, 2019

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
11	* 	Taiwan	Dali (HK)	01358616	30	April 15, 2019
12	* 	Taiwan	Dali (HK)	01358686	32	April 15, 2019
13	* 	PRC	Fujian Dali	10029750	32	December 6, 2022
14	* 	PRC	Fujian Dali	10506190	30	April 13, 2023
15	* 	PRC	Fujian Dali	10029839	29	March 13, 2024
16	* 	PRC	Fujian Dali	3294832	29	September 6, 2023
17	* DALIYUAN	PRC	Fujian Dali	4864873	30	May 13, 2018
18	* DALIYUAN	PRC	Fujian Dali	6818677	29	March 27, 2020
19	* 	PRC	Fujian Dali	3957052	30	February 13, 2016
20	* 	PRC	Fujian Dali	3957051	32	February 13, 2016
21	* 	PRC	Fujian Dali	4573630	29	November 27, 2017
22	* 	PRC	Fujian Dali	1155639	30	February 27, 2018
23	* 	PRC	Fujian Dali	5561483	29	May 27, 2019

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
24	* 	PRC	Fujian Dali	5561464	30	June 27, 2019
25	* 	PRC	Fujian Dali	5561465	32	June 27, 2019
26	* 	PRC	Fujian Dali	7424828	32	October 13, 2020
27	* 	PRC	Fujian Dali	3318330	30	January 27, 2024
28	* 	PRC	Fujian Dali	12572295	32	October 13, 2024
29	* 达利园.派	PRC	Fujian Dali	4284732	30	April 6, 2022
30	* 团团圆圆达利园	PRC	Fujian Dali	5219176	30	March 27, 2019
31	* 	PRC	Fujian Dali	4835878	29	November 20, 2018
32	* 	PRC	Fujian Dali	4835877	30	November 20, 2018
33	* 可比克 copico	PRC	Fujian Dali	3319866	29	September 13, 2023
34	* 可比克 copico	PRC	Fujian Dali	3319865	30	March 27, 2024
35	* 	Hong Kong	Dali (HK)	301187181	29	August 20, 2018
36	* 	Hong Kong	Dali (HK)	301187181	32	August 20, 2018

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
37	* 	Hong Kong	Dali (HK)	300911079	30	July 11, 2017
38	* 	PRC	Fujian Dali	4487340	29	October 27, 2017
39	* 	PRC	Fujian Dali	3485720	29	September 20, 2024
40	* 	PRC	Fujian Dali	3485719	30	October 27, 2024
41	* 	PRC	Fujian Dali	11206204	29	December 6, 2023
42	* 	PRC	Fujian Dali	4682721	30	May 20, 2019
43	* 	PRC	Fujian Dali	5733125	30	September 27, 2019
44	* 	PRC	Fujian Dali	5733124	32	September 27, 2019
45	* 	Hong Kong	Dali (HK)	301187172	29	August 20, 2018
46	* 	Hong Kong	Dali (HK)	301187172	30	August 20, 2018
47	* 	Hong Kong	Dali (HK)	301187172	32	August 20, 2018
48	* 	Taiwan	Dali (HK)	01419946	32	July 15, 2020

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
49	* 和其正	PRC	Fujian Dali	10770441	32	June 27, 2023
50	* 和其正	PRC	Fujian Dali	6261712	30	April 6, 2025
51	* 乐虎	PRC	Fujian Dali	10235915	32	January 27, 2023
52	* 	Hong Kong	Dali (HK)	302572803	5	September 3, 2023
53	* 	Hong Kong	Dali (HK)	302572803	30	September 3, 2023
54	* 	Hong Kong	Dali (HK)	302572803	32	September 3, 2023
55	* 	Madrid	Fujian Dali	1209811	32	November 27, 2023
56	* 	Taiwan	Dali (HK)	01618971	32	December 31, 2023
57	* 	PRC	Fujian Dali	11174738	32	April 6, 2025
58	* 好吃点	PRC	Fujian Dali	4284733	30	April 6, 2017
59	* 好吃点	Taiwan	Dali (HK)	01442227	30	November 30, 2020

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
60	* 	PRC	Fujian Dali	7806123	30	December 20, 2020
61	* 	Hong Kong	Dali (HK)	302616444	29	May 22, 2023
62	* 	Hong Kong	Dali (HK)	302616444	30	May 22, 2023
63	* 	Hong Kong	Dali (HK)	302616444	32	May 22, 2023
64	* 	PRC	Fujian Dali	3897001	30	January 13, 2016
65	* HAOCHIDIAN	PRC	Fujian Dali	4403864	30	June 13, 2017
66	* HAOCHIDIAN	PRC	Fujian Dali	12245641	29	August 13, 2024
67	* 	PRC	Fujian Dali	5777872	29	June 27, 2019
68	* 	PRC	Fujian Dali	5777873	32	October 13, 2019
69	* 	PRC	Fujian Dali	5777874	29	June 27, 2019
70	* 	PRC	Fujian Dali	6261714	32	January 27, 2020
71	* 	Hong Kong	Dali (HK)	302775196	29	October 21, 2023
72	* 	Hong Kong	Dali (HK)	302775196	30	October 21, 2023
73	* 	Hong Kong	Dali (HK)	302775196	32	October 21, 2023
74	* 	PRC	Fujian Dali	8643077	30	September 20, 2021
75	* 	PRC	Fujian Dali	8643032	29	November 27, 2021





APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Place of Registration	Name of registered proprietor / applicant	Registration No.	Class	Expiry Date
76	* 蓝蒂堡	PRC	Fujian Dali	13086126	30	December 27, 2024

* trademark which our Group has obtained a licence to use pursuant to the trademark license agreement entered into between Fujian Dali and our Company dated June 3, 2015.






As of the Latest Practicable Date, our Group has applied for the registration or being granted a license to use the following trademarks which are in the process of registration and which are material in relation to our Group's business. Please see the section headed "Connected Transaction—Continuing Connected Transactions—Exempt Continuing Connected Transactions—Trademark License Agreement" for further details of the licensing arrangement for our Group to use trademark(s) whose applicant(s) is not a member of our Group:

No.	Trademark	Place of Application	Applicant	Application No.	Class	Date of Application
1		Hong Kong	Dali (HK)	303430322	16	June 3, 2015
2	* 	Hong Kong	Dali (HK)	303179287	29	October 27, 2014
3	* 	Hong Kong	Dali (HK)	303179287	30	October 27, 2014
4	* 	Hong Kong	Dali (HK)	303179287	32	October 27, 2014
5	* 達利	PRC	Fujian Dali	13727550	29	December 13, 2013

No.	Trademark	Place of Application	Applicant	Application No.	Class	Date of Application
6	* 	PRC	Fujian Dali	13974811	32	January 24, 2014
7	* 	PRC	Fujian Dali	9192803	30	March 9, 2011
8	* 	PRC	Fujian Dali	15598573	32	October 29, 2014
9	* 	Hong Kong	Dali (HK)	303179304	29	October 27, 2014
10	* 	Hong Kong	Dali (HK)	303179304	30	October 27, 2014
11	* 	Hong Kong	Dali (HK)	303179304	32	October 27, 2014
12	* 	Hong Kong	Dali (HK)	303179296	29	October 27, 2014
13	* 	Hong Kong	Dali (HK)	303179296	30	October 27, 2014
14	* 	Hong Kong	Dali (HK)	303179296	32	October 27, 2014
15	* 	Hong Kong	Dali (HK)	303179313	29	October 27, 2014
16	* 	Hong Kong	Dali (HK)	303179313	30	October 27, 2014
17	* 	Hong Kong	Dali (HK)	303179313	32	October 27, 2014
18	* 	PRC	Fujian Dali	11206160	30	July 13, 2012
19	* 	PRC	Fujian Dali	6261713	29	September 6, 2007
20	* 	PRC	Fujian Dali	12075901	30	January 21, 2013
21	* 	PRC	Fujian Dali	12077040	32	January 21, 2013

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STATUTORY AND GENERAL INFORMATION

No.	Trademark	Place of Application	Applicant	Application No.	Class	Date of Application
22	* 	PRC	Fujian Dali	12076863	29	January 21, 2013
23	* 	PRC	Fujian Dali	16423175	32	February 28, 2015
24	* 	PRC	Fujian Dali	16423257	32	February 28, 2015
25	* HI-TIGER	PRC	Fujian Dali	16423267	32	February 28, 2015
26	* 	PRC	Fujian Dali	12480563	32	April 24, 2013
27	* 	PRC	Fujian Dali	15565125	30	October 23, 2014
28	* 净悦	PRC	Fujian Dali	16044599	29	December 29, 2014
29	* 净悦	PRC	Fujian Dali	16043982	32	December 29, 2014
30	* 净悦	PRC	Fujian Dali	16050948	30	December 30, 2014
31	* 净悦	PRC	Fujian Dali	16536005	32	March 20, 2015

* trademark which our Group has obtained a licence to use pursuant to the trademark license agreement entered into between Fujian Dali and our Company dated June 3, 2015.

Domain Name

As of the Latest Practicable Date, our Group had registered the following domain name which is material to our Group's business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1	dali-group.com	Dali (PRC)	December 16, 2000	December 16, 2018

Patents

As of the Latest Practicable Date, our Group had registered the following registered patents which are material to our Group's business:

No.	Patent	Place of Registration	Patent Holder	Patent No.	Effective Date of Grant of Patent's Right
1	Packaging bag for food (Kaqu French fries 75 grams)	PRC	Dali (HK)	201430394513.6	October 17, 2014
2	Packaging bag for food (Haochidian Milk and Egg Biscuits 440 grams)	PRC	Dali (HK)	201430005164.4	January 8, 2014
3	Packaging box for food (Haochidian Almond Shortbread Biscuits 600 grams)	PRC	Dali (HK)	201430005088.7	January 8, 2014
4	Packaging box for food (Haochidian Biscuits 600 grams)	PRC	Dali (HK)	201430005282.5	January 8, 2014
5	Packaging box for food (Haochidian Seaweed Low-Sugar Biscuits 600 grams)	PRC	Dali (HK)	201430005293.3	January 8, 2014
6	Label (First Milk Strawberry-flavored Milk Beverage)	PRC	Dali (HK)	201330198685.1	May 22, 2013
7	Beverage bottle (Hi-Tiger)	PRC	Dali (HK)	201230566118.2	November 21, 2012
8	Bottle Label (Hi-Tiger energy drink 380ml)	PRC	Dali (HK)	201330039820.8	February 16, 2013
9	Beverage can (Hi-Tiger energy drink 250ml)	PRC	Dali (HK)	201330039822.7	February 16, 2013
10	Packaging box for food (Landy Castle Cookies 908 grams)	PRC	Dali (HK)	201430394162.9	October 17, 2014
11	Packaging can for food (Youyican Corn Congee with Lotus Seeds 360 grams)	PRC	Dali (HK)	201330652002.5	December 27, 2013
12	Packaging bag for food (Cheese-flavored Croissants 20 grams)	PRC	Dali (HK)	201330652119.3	December 27, 2013
13	Beverage Can (480ml Heqizheng)	PRC	Dali (HK)	201330651783.6	December 27, 2013
14	Packaging can for food (Youyican Red Bean Congee with Coix Seeds 360 grams)	PRC	Dali (HK)	201330651663.6	December 27, 2013
15	Packaging can for food (Longan and Lotus Seeds Mixed Porridge 360 grams)	PRC	Dali (HK)	201330651724.9	December 27, 2013
16	Packaging can for food (Youyican Black Glutinous Rice Congee with Purple Sweet Potato 360 grams)	PRC	Dali (HK)	201330651535.1	December 27, 2013
17	Packaging box for food (Cheese-flavored Croissants 200 grams 10 pieces)	PRC	Dali (HK)	201330651545.5	December 27, 2013
18	Water bottle(1)	PRC	Dali (HK)	201430536204.8	December 18, 2014
19	Packaging can for food (Landy Castle Cookies 681 grams)	PRC	Dali (HK)	201430536205.2	December 18, 2014

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests and short positions of the Directors and the chief executive of our Company in the shares, underlying shares and debentures of our Company and its associated corporations*

Immediately following the completion of the Global Offering (without taking into account the Shares to be allotted and issued upon the exercise of the Over-allotment Option), the interests or short positions of Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required under Section 352 of the SFO to be entered in the register referred to in that section, or which will be required under the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") to be notified to our Company and the Stock Exchange, once the Shares are listed, will be as follows:

(i) *Interest in Shares or Underlying Shares of our Company*

Name of Director	Nature of Interest	Number of Shares upon Listing	Approximate percentage of shareholding interest upon Listing
Mr. Xu Shihui	Interest in controlled corporation; Interest of spouse	11,640,000,000	85%
Ms. Xu Yangyang	Interest in controlled corporation	11,640,000,000	85%

(ii) *Interest in Shares of associated corporations*

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Number of Shares in the associated corporation	Approximate percentage of shareholding
Mr. Xu Shihui.....	Divine Foods	Interest in controlled corporation	50	50%
		Interest of spouse ⁽¹⁾	10	10%
Ms. Xu Yangyang.....	Divine Foods	Interest in controlled corporation	40	40%

Notes:

- (1) By virtue of the SFO, Mr. Xu Shihui has deemed interest in shares of Divine Foods held by his spouse, Ms. Chen Liling, which represents 10% of the shareholding interest in Divine Foods.

(b) *Interests and short positions of the Substantial Shareholders in the Shares and underlying shares of our Company*

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has any an interest or short position in the Shares and underlying Shares of our Company which, once the Shares are listed, would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

(c) *Interests of the substantial shareholder of any member of our Group (other than our Company)*

So far as the Directors are aware, immediately following the completion of the Global Offering, no persons will, directly or indirectly, be interested in 10% or more of the nominal value of the share capital carrying rights to vote in all circumstances at general meetings of any members of our Group (other than us).

2. Particulars of Service Contracts

(a) *Executive Directors*

Each of the executive Directors has entered into a service contract with our Company under which they agreed to act as executive Directors for an initial term of three years commencing from the Listing Date, which may be terminated by not less than three months’ notice in writing served by either the executive Director or our Company.

The appointments of the executive Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) *Non-executive Director and Independent Non-executive Directors*

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with our Company for a term of one year with effect from the Listing Date. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(c) *Others*

- (i) Save as disclosed above, none of the Directors has entered into any service contract with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

- (ii) During the year ended December 31, 2014, the aggregate of the remuneration and benefits in kind payable to the Directors was approximately RMB1.058 million. Details of the Directors' remuneration are also set out in Note 7 of the Accountants' Report set out in Appendix I to this prospectus. Save as disclosed in this prospectus, no other emoluments have been paid or are payable in respect of the year ended December 31, 2014 by our Company to the Directors.
- (iii) Under the arrangements currently in force, the aggregate of the remuneration and benefits in kind payable to the Directors for the year ending December 31, 2015 is estimated to be approximately RMB5.30 million.
- (iv) None of the Directors or any past Directors of any members of our Group has been paid any sum of money for the three years ended December 31, 2014 (i) as an inducement to join or upon joining our Company or (ii) for loss of office as a Director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (v) There has been no arrangement under which a Director has waived or agreed to waive any remuneration or benefits in kind for the three years ended December 31, 2014.
- (vi) None of the Directors has been or is interested in the promotion of, or in the property proposed to be acquired by, our Company, and no sum has been paid or agreed to be paid to any of them in cash or shares or otherwise by any person either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of our Company.

3. Fees or commissions received

Save as disclosed in this prospectus, none of the Directors or any of the persons whose names are listed under the paragraph headed “—E. Other Information—10. Consents of Experts” below had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group within the two years immediately preceding the date of this prospectus.

4. Miscellaneous

Save as disclosed in this prospectus:

- (a) none of the Directors or chief executive of our Company has any interest or short positions in the Shares, underlying Shares or debentures of our Company or any associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to in that section, or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code, in each case once our Shares are listed;

- (b) none of our Directors nor any of the parties listed in the paragraph headed “—E. Other Information—10. Consents of Experts” below has any direct or indirect interest in the promotion of our Company, or in any assets which have within the two years immediately preceding the date of this prospectus been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors nor any of the parties listed in the paragraph headed “—E. Other Information—10. Consents of Experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) other than pursuant to the Underwriting Agreements, none of the parties listed in the paragraph headed “—E. Other Information—10. Consents of Experts” below:
 - (i) is interested legally or beneficially in any of our Shares or any shares of any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe securities in any member of our Group.

D. SHARE OPTION SCHEME

Summary of terms

The following is a summary of the principal terms of the Share Option Scheme conditionally approved and adopted by a written shareholder’s resolution of our Company dated August 25, 2015. The terms of the Share Option Scheme comply with the provisions of Chapter 17 of the Listing Rules.

(a) *Purpose of the Share Option Scheme*

The purpose of the Share Option Scheme is to provide an incentive for the Qualified Participants (as defined in paragraph (b) below) to work with commitment towards enhancing the value of our Company and its Shares for the benefit of its Shareholders, and to maintain or attract business relationship with the Qualified Participants whose contributions are or may be beneficial to the growth of our Group.

The Board is of the view that the Share Option Scheme may provide the Qualified Participants with the opportunity of participating in the growth of our Group by acquiring Shares in our Company which may in turn assist in the attraction and retention of the Qualified Participants. To ensure the achievement of the purpose of the Share Option Scheme, its rules do not specify any minimum holding period and/or performance targets as a condition for the exercise of an option but subject to the determination of the Board. The Board is given the authority under the Share Option Scheme rules to determine and state in the offer letter of grant any minimum holding period and/or performance targets

as conditions for exercise of an option. In addition, the Board has the authority under the Share Option Scheme rules to determine the basis of eligibility of any Qualified Participant and the grant of an option on a case by case basis as the Board in its sole discretion considers appropriate. Hence, the Board believe that the rules of the Share Option Scheme will serve to achieve its purpose as well as protect the value of our Company.

(b) *Who may join*

The Board may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to:

- (i) any executive Director, or employee (whether full time or part time) of our Company, any subsidiary or any entity in which our Company or any subsidiary holds any equity interest;
- (ii) any non-executive Directors (including independent non-executive Directors) of our Company, any subsidiary or any entity in which our Company or any subsidiary holds any equity interest (together with (i) above, “Eligible Employee”);
- (iii) any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent or service provider of our Company, any subsidiary or any entity in which our Company or any subsidiary holds any equity interest who is an individual; or
- (iv) any full-time employee of any customer, business or joint venture partner, advisor, consultant, contractor, supplier, agent, customer or service provider of our Company or any subsidiary or an entity in which our Company or any subsidiary holds any equity interest,

who the Board considers, in its sole discretion, has contributed or will contribute to our Company or any subsidiary or any entity in which our Company or any subsidiary holds any equity interest (collectively, the “Qualified Participant”).

(c) *Maximum number of Shares in respect of which options may be granted*

The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue as at the Listing Date (such total number of Shares being 13,694,117,500 Shares) (the “Scheme Mandate”, being 1,369,411,750 Shares), excluding for this purpose options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company, provided that:

- (i) our Company may seek approval by the Shareholders in general meeting for refreshing the Scheme Mandate provided that the total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of our Company under the Scheme Mandate as refreshed must not exceed 10% of the total number of Shares in issue as at the date of such shareholder approval. For these purposes, options

previously granted under the Share Option Scheme and any other share option schemes of our Company, whether outstanding, cancelled, lapsed in accordance with its applicable rules or already exercised, will not be counted. Our Company shall send to the Shareholders a circular containing the information required under Chapter 17 of the Listing Rules;

- (ii) our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the Scheme Mandate provided the options in excess of the Scheme Mandate are granted only to Qualified Participants who are specifically identified before such approval is sought. A circular will be sent by our Company to the Shareholders in accordance with the Listing Rules; and
- (iii) the limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company must not exceed such number of Shares as shall represent 30% of the Shares in issue from time to time. No options may be granted if such grant will result in this 30% limit being exceeded.

The maximum number of Shares in respect of which options may be granted shall be adjusted in such manner as the auditors of our Company shall certify in writing to the Board to be fair and reasonable in the event of any alteration to the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation, reclassification, reconstruction, subdivision or reduction of the share capital of our Company but shall not in any event exceed the limits imposed by the Listing Rules.

(d) ***Maximum entitlement of each Qualified Participant***

Unless approved by Shareholders in general meeting in the manner prescribed in the Listing Rules, the Board shall not grant options to any grantee if the acceptance of those options would result in the total number of Shares issued and to be issued to that grantee on exercise of his options (including both exercised and outstanding options) during any 12 month period exceeding 1% of the total Shares then in issue.

(e) ***Grant of options to connected persons***

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of our Company or any of their respective associates under the Share Option Scheme must be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is also a grantee of the options).

Any grant of options to a substantial Shareholder or an independent non-executive Director or any of their respective associates (as defined in the Listing Rules) must be approved by the Shareholders in general meeting if the Shares issued and to be issued upon exercise of all options

already granted and proposed to be granted to him (whether exercised, cancelled or outstanding) in the 12 month period up to and including the proposed date of grant:

- (i) would represent in aggregate more than 0.1% of the Shares then in issue; and
- (ii) would have an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as shall be permissible under the Listing Rules from time to time).

At the general meeting to approve such proposed grant of options, the grantee, his associates and all core connected persons of our Company must abstain from voting unless intending to vote against the proposed grant and that intention has been stated in the circular to be despatched to Shareholders in accordance with the Listing Rules. At such general meeting, the vote to approve the grant of such options must be taken on a poll in accordance with the relevant provisions of the Listing Rules. Our Company shall send to the Shareholders a circular containing the details and information required under Chapter 17 of the Listing Rules.

Any proposed change in the terms of options granted to a grantee who is a substantial shareholder or an independent non-executive director of our Company, or any of their respective associates, must be approved by the shareholders of our Company in general meeting in accordance with the relevant provisions of the Listing Rules.

(f) *Acceptance of an offer of options*

An offer of the grant of an option shall be made to a Qualified Participant by written offer letter in such form as the Board may from time to time determine, requiring the Qualified Participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Share Option Scheme. The offer shall remain open for such period (not exceeding 30 days, inclusive of, and from, the date of offer) as the Board may determine and notify to the Qualified Participant.

An option shall be deemed to have been accepted and to have taken effect when the duplicate letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of our Company of HK\$1 by way of consideration for the grant of the option shall have been received by our Company on or before the last day for acceptance as set out in the offer letter. The remittance is not in any circumstances refundable. Once accepted, the option is considered to be granted as from the date on which it was offered to the relevant Qualified Participant.

(g) *Subscription price*

The subscription price shall be a price determined by the Board but in any event shall be at least the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of offer;

(ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the date of offer; and

(iii) the nominal value of the Shares.

(h) ***Duration of the Share Option Scheme***

The Share Option Scheme shall be valid and effective from the date on which the last of the conditions (as set out in paragraph (x) below) is fulfilled (the "Adoption Date") until the end of the period of 10 years commencing on the Adoption Date (the "Scheme Period"), after which time no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects. In particular, all options granted before the end of the Scheme Period shall continue to be valid and exercisable after the end of the Scheme Period in accordance with the terms of the Share Option Scheme.

(i) ***Performance target and minimum holding period***

There is no minimum period for which any option must be held before it can be exercised and no performance target which need to be achieved by a grantee before the option can be exercised unless the Board otherwise determined and stated in the offer letter of the grant of options.

(j) ***Restriction on the time of grant of options***

(a) Our Company may not grant any option after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving our Company's results for any year, half-year or quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for our Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules),

and ending on the date of the results announcement. No option may be granted during any period of delay in publishing a results announcement. Without prejudice to the foregoing, no option shall be granted during the period specified in the Listing Rules as being a period during which no option may be granted.

No grant of options shall be made to a Qualified Participant who is a Director during a period in which the Directors are prohibited from dealing in shares pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers prescribed by the Listing Rules or our Company's own equivalent code.

(k) ***Ranking of the Shares***

The Shares to be allotted upon exercise of an option will be subject to all the provisions of the Articles and will rank pari passu with the fully paid Shares in issue on the date of allotment. Accordingly the Shares will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment provided that the record date for the dividend or distribution is a date after the date of allotment.

(l) ***Rights are personal to the grantee***

An option is personal to the grantee and shall not be transferable or assignable (except for the transmission of an option on the death of any grantee to a person who of succession is entitled to the option). No grantee shall sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favour of any third party over or in relation to any option or attempt to do so (except that the grantee may nominate a nominee, of which the grantee is the sole beneficial owner, in whose name the Shares issued pursuant to the Share Option Scheme may be registered provided that evidence of such trust arrangement between the grantee and the nominee has been provided to the satisfaction of the Board).

(m) ***Rights on ceasing employment/death***

If the grantee who is an Eligible Employee ceases to be so engaged by reason other than his death or the termination of his employment on one or more of the grounds under subparagraph (s)(v) below or retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement, the grantee shall be entitled to exercise the option up to his entitlement at the date of cessation (to the extent exercisable but not already exercised) within a period of 1 month from the date of such cessation, which date shall be the last day on which the grantee was at work with our Company, the relevant subsidiary or any entity in which our Company or any subsidiary holds any equity interest (whether salary is paid in lieu of notice or not) or within such longer period as the Board may determine.

In the event of death of the grantee (being an individual) before exercising the option in full, and none of the events which would be a ground for termination of his employment under subparagraph (s)(v) below has arisen in case such grantee is an Eligible Employee, his legal personal representatives may exercise the option up to the grantee's entitlement (to the extent exercisable as at the date of his death and not exercised) within the period of 12 months following his death or such longer period as the Board may determine.

(n) ***Rights on retirement***

If the grantee being an Eligible Employee ceases to be so engaged by reason of retirement in accordance with the terms of his contract of employment or by virtue of any statutory requirement and none of the events which would be a ground for termination of his employment as specified in

subparagraph (s)(v) below has arisen, the grantee shall be entitled within a period of 12 months from the date of retirement (or such longer period as the Board may determine) to exercise the option up to the grantee's entitlement (to the extent exercisable but not already exercised).

(o) ***Rights on termination of business relationship with our Group***

In the event that the grantee being a non-Eligible Employee in the absolute opinion of the Board ceases to be qualified as a Qualified Participant by reason of termination of its business relation with the relevant member of our Group or otherwise, such grantee shall be entitled within a period of 1 month from the date of termination (or such other period as the Board may determine) to exercise the option up to its entitlement (to the extent exercisable but not already exercised).

(p) ***Rights on take-over***

If a general offer (whether by way of takeover offer, scheme of arrangement or otherwise) is made to all the Shareholders (or all Shareholders other than the offeror and its concert parties and persons controlled by the offeror) and the offer becomes or is declared unconditional during the option period of an outstanding option, the grantee (or his legal personal representatives) shall be entitled to exercise the option (to the extent not already exercised but whether vested or not) at any time before the expiry of the period of 10 business days following the date on which the offer becomes or is declared unconditional.

(q) ***Rights on winding-up***

If an effective resolution is passed for the voluntary winding-up of our Company or an order of court is made for the winding-up of our Company, a grantee may in respect of outstanding options by notice in writing to our Company within 15 business days after the date of such resolution elect to be treated as if the option (to the extent not already exercised but whether vested or not) had been exercised immediately before the passing of the resolution. The notice must state the number of Shares in respect of which the election is made and be accompanied by a remittance for the full amount of the subscription price for the relevant Shares. Immediately upon receipt of the notice by our Company, the grantee will become entitled to receive out of the assets available in the liquidation *pari passu* with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of the election.

(r) ***Rights on company reconstructions***

If a compromise or arrangement between our Company and its Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies, our Company shall give notice to all grantees on the same day as it gives notice of the meeting to its Shareholders or creditors to consider the compromise or arrangement. Upon receipt of the notice, the grantee may, during the period commencing on the date of the notice and ending on the earlier of:

- (i) the date 2 calendar months thereafter; and

- (ii) the date on which such compromise or arrangement is sanctioned by the court;

exercise the option (to the extent not already exercised but whether vested or not) (whether in full or in part), conditional upon the compromise or arrangement being sanctioned by the court and becoming effective. With effect from the date of such meeting, the rights of all grantees to exercise their respective options shall forthwith be suspended. Our Company may require the grantee to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to the compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms present to the court or upon any other terms as may be approved by such court) the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of the aforesaid suspension.

(s) *Lapse of option*

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period which must expire not more than 10 years from the date of grant;
- (ii) the expiry of the periods referred to in paragraphs (m), (n), (o), (p), (q) or (r) above;
- (iii) the date of the commencement of the winding-up of our Company in respect of the situation contemplated in paragraph (q) above;
- (iv) the date the scheme or compromise referred to in paragraph (r) above becomes effective;
- (v) the date on which the grantee being an Eligible Employee ceases to be a Qualified Participant by reason of the termination of his employment on the grounds that he has been guilty of misconduct, or has committed an act of bankruptcy or has become insolvent or has made an arrangement or composition with creditors generally, or has been convicted of a criminal offence involving his integrity or honesty, or on any other ground on which an employer would be entitled to terminate his employment forthwith pursuant to applicable laws or under the grantee's employment contract;
- (vi) the date on which the grantee commits a breach of paragraph (l) above;
- (vii) if an option was granted subject to certain conditions, restrictions or limitation, the date on which the Board resolves that the grantee has failed to satisfy or comply with such conditions, restrictions or limitation;

(viii) in respect of the grantee being a consultant or advisor (whether individual or corporation), the date on which the Board resolves that the consultant or advisor fails to comply with any provisions of the relevant contracts, or breaches its fiduciary duty under the common law; and

(ix) the occurrence of such event or expiry of such period as may have been specifically provided for in the offer letter, if any.

(t) *Alteration of capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization issue, rights issue, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a transaction to which our Company is a party), the Board shall make (and shall notify to the grantee) such corresponding alterations (if any) in (i) the number of Shares subject to any option so far as such option remains unexercised; (ii) the subscription price; (iii) the method of exercise of the option; and/or (iv) the number of Shares subject to the Share Option Scheme, as the auditors of our Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that are required to give each grantee the same proportion of the share capital as that to which the grantee was previously entitled, but not so that the effect would be to enable any Share to be issued to a grantee at less than its nominal value.

(u) *Cancellation of options*

With the grantee's consent, the Board may cancel an option (which has been granted but not yet exercised), at the election of the Board and after giving notice in writing to such grantee stating, either:

- (i) our Company pays to the grantee an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board;
- (ii) the Board offers to grant to the grantee replacement options (or options under any other share option scheme) provided that such replacement options are granted under a scheme with available unissued options (excluding the cancelled options) within the limit mentioned in paragraph (c) above, or makes such arrangements as the grantee may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the grantee may agree to compensate him for the cancellation of the option.

(v) *Termination of the Share Option Scheme*

Our Company may at any time terminate the operation of the Share Option Scheme by resolution of the Board or resolution of the Shareholders in general meeting and in such event no further options will be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. In particular, all options granted and accepted prior to the termination and yet to be exercised shall continue to be valid and exercisable in accordance with the terms of the Share Option Scheme.

(w) *Alteration of the Share Option Scheme*

The Board may by resolution amend any of the provisions of the Share Option Scheme except the following, which shall be approved by the Shareholders in general meeting:

- (i) any material alteration to its terms and conditions or any change to the terms of options granted (except where the alterations take effect under the existing terms of the Share Option Scheme). The Share Option Scheme so altered must comply with Chapter 17 of the Listing Rules and the notes thereto and the supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time;
- (ii) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of the grantee;
- (iii) any change to the authority of the Board or the scheme administrator;
- (iv) any amendments to the terms of options granted to a grantee who is a substantial Shareholder (as defined in the Listing Rules) of our Company or an independent non-executive Director, or any of their respective associates (as defined in the Listing Rules) must be approved by our Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and the grantee, his associates and all core connected persons of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution; and
- (v) any change to the Scheme rules governing the amendment of the rules of the Share Option Scheme;

provided that any amendments of the Scheme provisions or terms of the options shall comply with the requirements of the Listing Rules.

(x) *Conditions of the Share Option Scheme*

The adoption of the Share Option Scheme is conditional upon:

- (i) the approval of the Shareholders for the adoption of the Share Option Scheme; and

- (ii) the approval by the Stock Exchange of the listing of and permission to deal in any Shares to be allotted and issued pursuant to the exercise of options under the Share Option Scheme.

If the permission referred to in subparagraph (ii) is not granted within 6 months after the date of the Share Option Scheme was conditionally adopted:

- (iii) the Share Option Scheme will forthwith determine;
- (iv) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;
- (v) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any option; and
- (vi) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Present Status of the Share Option Scheme

As at the date of this prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in the Shares which fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Indemnities

Each of Mr. Xu, Ms. Chen, Ms. Xu, Divine Foods, Divine Foods-1, Divine Foods-2 and Divine Foods-3 (the “Indemnifiers”) have entered into the deed of indemnity with our Company in favor of each member of our Group (being the contract referred to in paragraph (f) of the sub-paragraph headed “—B. Further Information about our Business—1. Summary of Material Contracts” above) to provide the following indemnities:

Under the deed of indemnity, among others, the Indemnifiers will indemnify each of our Company and our subsidiaries against, among others, (a) any depletion or diminution in the value of the assets of our Company and our subsidiaries as a direct or indirect consequence of, and in respect of any amount which our Company and our subsidiaries may hereafter become liable to pay, resulting from any taxation under sections 35 and 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (“Estate Duty Ordinance”); or (b) taxation falling on our Company and our subsidiaries resulting from, or by reference to, any income, profits or gains earned, accrued or received (or deemed to be so earned, accrued or received) on or before the Listing Date; (c) property losses and property

claims (as defined therein) suffered or incurred by Company and our subsidiaries; (d) any actions, claims, losses, damages, costs, charges or expenses which may be made, suffered or incurred by any of our Company or our subsidiaries in respect of or arising directly or indirectly arising from any taxation or taxation claim or property loss or property claim (as defined therein); and (e) all the costs, expenses, losses and/or other liabilities incurred by our Company and its subsidiaries in relation with those outstanding or unsettled legal and arbitration proceedings, investigations and/or claims as disclosed in this prospectus.

The Indemnifiers will, however, not be liable under the deed of indemnity for taxation where, among others, (a) provision has been made for such taxation in the audited accounts of our Company and our subsidiaries for the three years ended December 31, 2014 and the six months ended June 30, 2015; (b) the taxation falling on our Company and our subsidiaries in respect of any accounting period commencing on or after July 1, 2015 unless liability for such taxation would not have arisen but for some event entered into by the Indemnifiers, our Company, our subsidiaries or any of them otherwise than in the course of normal day to day trading operations on or before the Listing Date; and (c) the taxation arises or is incurred as a consequence of any change in law or the interpretation thereof or practice by the relevant tax authority having retrospective effect coming into force after the Listing Date or to the extent that the taxation arises or is increased by an increase in rates of taxation after the Listing Date with retrospective effect.

2. Litigation

As of the Latest Practicable Date, we are not aware of any other litigation or arbitration proceedings of material importance pending or threatened against us or any of our Directors that could have a material adverse effect on our financial condition or results of operations.

3. Application for Listing

The Joint Sponsors have made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares into CCASS.

4. No Material Adverse Change

The Directors confirm that there has been no material change in the financial or trading position or prospects of our Group since June 30, 2015 (being the dated to which the latest audited consolidated financial statements of our Group were prepared).

5. Agency Fees and Commissions Received

The Underwriters will receive an underwriting commission as referred to in the section headed “Underwriting—Underwriting Arrangements and Expenses—Commission and Expenses”.

6. The Joint Sponsors and Joint Sponsors' fees

The Joint Sponsors are independent third parties pursuant to Rule 3A.07 of the Listing Rules. The fee payable by our Company to each of the Joint Sponsors to act as sponsors to our Company in connection with the Global Offering is US\$500,000.

7. Preliminary expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately US\$3,077 and were paid by us.

8. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

9. Qualification of Experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Merrill Lynch Far East Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) of the regulated activities as defined under the SFO
Morgan Stanley Asia Limited	Licensed to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on future contracts), type 6 (advising on corporate finance), and type 9 (asset management) of the regulated activities as defined under the SFO
Maples and Calder Frost & Sullivan	Legal advisor to our Company as to the laws of the Cayman Islands Industry consultant
Jingtian & Gongcheng	PRC legal advisor to our Company
Ernst & Young	Certified Public Accountants, Hong Kong
DTZ	Property valuer

10. Consents of Experts

Each of Merrill Lynch Far East Limited, Morgan Stanley Asia Limited, Maples and Calder, Frost & Sullivan, Jingtian & Gongcheng, Ernst & Young and DTZ has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter

and/or valuation certificate and/or opinion and/or the references to its name included in this prospectus in the form and context in which it is respectively included.

11. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance insofar as applicable.

12. Reserves available for distribution

As at June 30, 2015, our Company has reserves of approximately RMB1,590 million available for distribution to our Shareholders.

13. Bilingual prospectus

The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

F. MISCELLANEOUS

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) no founders or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.
- (b) Save as disclosed in this prospectus, our Group had not issued any debentures nor did it have any outstanding debentures nor any convertible debt securities.

(c) Our Directors confirm that:

- (i) there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2015 (being the date to which the latest audited consolidated financial statements of our Group were prepared);
- (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
- (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 12 months preceding the date of this prospectus.

(d) The principal register of members of our Company will be maintained in the Cayman Islands by Maples Fund Service (Cayman) Limited and a branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

(e) All necessary arrangements have been made to enable our Shares to be admitted into CCASS for clearing and settlement.

(f) No company within our Group is presently listed on any stock exchange or traded on any trading system.

(g) The English and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were, among other things, (i) copies of the WHITE, YELLOW and GREEN application forms, (ii) the written consents referred to in “Appendix IV—Statutory and General Information—E. Other Information—10. Consents of Experts” to this prospectus, and (iii) copies of the material contracts referred in the section headed “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Cleary Gottlieb Steen & Hamilton (Hong Kong), 37th Floor, Hysan Place, 500 Hennessy Road, Causeway Bay, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum of Association and the Articles of Association;
- (b) the Accountants’ Report for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015 issued by Ernst & Young, the text of which is set out in Appendix I to this prospectus;
- (c) the audited consolidated financial statements of our Group for the years ended December 31, 2012, 2013 and 2014 and the six months ended June 30, 2015;
- (d) the report on the unaudited pro forma financial information from Ernst & Young, the text of which is set out in Appendix II to this prospectus;
- (e) the material contracts referred in the section headed “Appendix IV—Statutory and General Information—B. Further Information about our Business—1. Summary of Material Contracts” in this prospectus;
- (f) the written consents referred in the section headed “Appendix IV—Statutory and General Information—E. Other Information—10. Consents of Experts” in this prospectus;
- (g) the letter of advice prepared by Maples and Calder, our legal advisors as to Cayman Islands law, summarizing certain aspects of the Cayman Islands company law referred in Appendix III to this prospectus;
- (h) the service contracts and letters of appointment referred in the section headed “Appendix IV—Statutory and General Information—C. Further Information About our Directors and Substantial Shareholders—2. Particulars of Service Contracts” in this prospectus;

- (i) the PRC legal opinions dated November 10, 2015 issued by Jingtian & Gongcheng, our PRC Legal Advisors in respect of certain aspects of our Group and our property interests;
- (j) the Cayman Companies Law;
- (k) the Frost & Sullivan Report;
- (l) the Letter issued by DTZ confirming, among other things, the fairness of the rental payable under a property and land leasing agreement entered into between our Company and Fujian Dali on August 25, 2015; and
- (m) the rules of the Share Option Scheme.



達利食品集團有限公司
DALI FOODS GROUP COMPANY LIMITED